

DAWES PLAN

# Congression Testimony Washington, Wash., D. C.

VOLUME IV

November, 1924

**Europe's Effort to Solve Reparation Problem  
America's Cooperation in the Restoration of European Stability**

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The Dawes Report  
and  
The London Agreements  
The Dawes Plan in Operation  
Organization—Officers—First Results

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*Pro and Con*  
Discussions of the Dawes Plan  
by American, German, English, French and Italian Commentators

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## Contents of this Number

Entirely Devoted to

## The Dawes Plan

### I—Historical Background

Europe's Effort to Solve Reparation Problem	39
Chronology of Principal Events Since the Armistice	40
America's Cooperation in the Restoration of European Stability	41
Chronology of Principal Events Since the Armistice	41

### II—The Plan

The Reparation Commission	44
The Reparation Commission Appoints the Committee of Experts	44
The First Committee of Experts Makes Its Report	44
Outline of the Dawes Plan	45
A Brief Summary of Important Aspects of the Dawes Plan	45
The London Conference Sets Up the Dawes Plan	45
Text of the London Agreement Protocol	45
A Digest of the Agreements Signed at the London Conference	45
The Dawes Plan in Operation	46
Organization and Agents Charged With Operation of the Dawes Plan and the London Agreement, with Appointments Made to Date	46
First Results of the Dawes Plan—Statement by Acting Agent General for Reparations	47
Permanent Agent General for Reparations Makes Report	49
The Glossary (Terms Used in Dawes Report)	50

### III—Comment—Pro and Con

A Summary of American, English, French and German Commentaries and Comments	51
Fred L. Kent vs. J. Henry Scattergood	51
Benjamin M. Anderson, Jr., Chester Wright, et al. Article in "The New Republic"	53
Alon G. Goldsmith vs. Ernest Minor Patterson	53
John Abbott Young, Roland W. Boydston vs. Constant Southwick	55
Willis H. Booth vs. Harvey Withers	57
Henry Bell vs. J. M. Keynes	59
H. N. Brailsford vs. Edo Fréchet	59
Edouard Herriot vs. Raymond Poincaré	60
Gustav Stresemann vs. Karl Hillebrand	60
Anthony Argout vs. International Transport Workers	62
Table Showing Obligations of Foreign Governments held by the United States Treasury as of November 15, 1924	62

# The Congressional Digest

Volume IV

November, 1924

Number 2

## The Dawes Plan

The Report Made to the Reparation Commission by the First Committee of Experts of Which General Charles G. Dawes was Chairman

## Europe's Effort to Solve Reparation Problem

Chronology of Principal Events Since the Armistice

1918

Nov. 11.—Armistice concluded.—Germany to make reparations for damage done; to evacuate all invaded territories and the left bank of the Rhine; to turn over specified military, naval, and other equipment.

Dec. 13.—Trier conference.—Negotiations begun for return of confiscated property of allied nationals.

1919

May 29.—Germany offers to pay reparations to the extent of 100,000,000,000 gold marks.

June 28.—Treaty of Versailles signed.—Article 231 of the treaty states: "The Allied and Associated Governments affirm and Germany accepts the responsibility of Germany and her allies for causing all the loss and damage to which the Allied and Associated Governments and their nationals have been subjected as a consequence of the war imposed upon them by the aggression of Germany and her allies."

Article 233 provides that "the amount of the above damage for which compensation is to be made by Germany shall be determined by an Inter-Allied Commission, to be called the Reparation Commission and constituted in the form and with the powers set forth hereunder and in Annexes II to VII, inclusive hereto."

Article 235: "In order to enable the Allied and Associated Powers to proceed at once to the restoration of their industrial and economic life, pending the full determination of their claims, Germany shall pay in such installments and in such manner (whether in gold, commodities, ships, securities, or otherwise) as the Reparation Commission may fix, during 1919, 1920, and the first four months of 1921, the equivalent of 20,000,000,000 gold marks."

In sections 17 and 18 of Annex II of Part VIII of the treaty, provisions for possible default in reparation payments are stipulated as follows:

"17. In case of default by Germany in the performance of any obligation under this part of the present Treaty, the Commission will forthwith give notice of such default to each of the interested Powers and may make such recommendation as to the action to be taken in consequence of such default as it may think necessary.

"18. The measures which the Allied and Associated Powers shall have the right to take, in case of voluntary default by Germany, and which Germany agrees not to regard as acts of war, may include economic and financial prohibitions and reprisals and, in general, such other measures as the respective Governments may determine to be necessary in the circumstances."

1920

July 2-4.—First Brussels conference.—Proportionate distribution of reparations among the Allies is arranged.

July 5-16.—Spa conference; German delegates present.—The distribution of reparation payments among the Allies, as proposed at the Brus-

sels conference is confirmed, and the original coal demands are reduced. The original liability of Germany in coal deliveries for 1920-21 was as follows:

In million tons—To France, 25; to Belgium, 8; to Italy, 6; total, 39. Allied percentages of reparation receipts are fixed as follows:

	Per cent
France .....	52
Great Britain .....	22
Italy .....	10
Belgium .....	8
Greece, Rumania, and Yugoslavia, etc. ....	6½
Japan and Portugal, each .....	¾

Belgium is to get priority on cash payments up to 2,500,000,000 gold francs.

1921

January 24-30.—First Paris conference.—It is agreed that reparations are to be paid in 42 annuities. "Sanctions" formulated.

Mar. 1-7.—First London conference.—German counterproposal to pay 30,000,000,000 gold marks are rejected. Germany offers material and labor for reconstruction. Ultimatum delivered to Germany.

Mar. 24.—Germany is declared by the Reparation Commission to be in default.

Apr. 24.—Germany addresses a proposal to the United States, offering to accept a reparations total of 50,000,000,000 gold marks and to assume part of the Allied indebtedness to the United States; these proposals conditional upon raising an international loan.

Apr. 27.—Decision of Reparation Commission relative to Germany's total reparation indebtedness is announced. Germany is to pay 132,000,000,000 gold marks. Three series of bonds (A, B and C Bonds) covering this amount are to be issued and turned over to the Reparation Commission.

The Belgian debt to the Allies is to be paid by Germany. Committee of guarantees is set up.

The 132,000,000,000 gold marks does not include all the payments to be made by Germany. The principal items excluded are the costs of the Armies of Occupation, the Belgian debt due the Allies, the restitution of identical properties which had been transported during the war from the Allied countries and for which no credit is given, and the costs of various commissions and administrative bodies created under the treaty which are to be compensated by Germany. According to the treaty the cost of the Armies of Occupation constitutes a prior lien on payments made by Germany. After these costs have been met the balance is to be used for the payment of reparations or to discharge other obligations to the Allies.

Apr. 29.—Second London conference assembled.

May 3.—Reparations Commission notifies Allies that Germany is in default.

## 1921—continued

*May 5.*—Second ultimatum to Germany putting into force the schedule of payments of April 27, 1921, known as the London schedule.

*May 11.*—Unconditional acceptance of decision of Reparation Commission by Germany.

*July 1.*—Germany delivers treasury bonds, series A, 12,000,000,000 gold marks.

*Aug. 31.*—Germany completes payment of 1,000,000,000 gold marks, covering cash installments due July 15 and October 15, under the London schedule.

*Oct. 6.*—Loucheur-Rathenau agreement, arranging for direct supply of reparation materials to France, is signed at Wiesbaden.

*Oct. 28.*—Germany delivers treasury bonds, series B, 10,000,000,000 gold marks; also series C, 82,000,000,000 gold marks.

*Nov. 15.*—The first quarterly installment (300,000,000 gold marks) required under the London schedule, is covered by payments in kind.

## 1922

*Jan. 4-13.*—Cannes conference.—Program for 1922 agreed on. Jan. and Feb. payments reduced.

*Mar. 11.*—Allied Govts. approve Loucheur-Rathenau agreement.

*Mar. 15.*—Gillet-Ruppel agreement between French and German Govts., covering deliveries in kind, is signed.

*Mar. 21.*—Reparation Commission announces details of conditional, partial moratorium for balance of 1922—720,000,000 gold marks in cash, 1,450,000,000 in kind to be paid for the year.

*Apr. 21.*—Germany pays 18,000,000 gold marks in accordance with the decision of March 21.

*May 16.*—Germany pays 50,000,000 gold marks in accordance with the decision of March 21.

*May 24.*—At the invitation of the Reparation Commission a committee of experts and bankers meets at Paris to consider a loan to Germany; finds loan impossible under present schedule of payments.

*June 2.*—Bemelmans-Cuntze agreement signed, establishing a procedure for deliveries in kind.

*June 15.*—Germany pays 50,000,000 gold marks in accordance with decision of March 21.

*July 12.*—Germany presents formal request for 2½ years' moratorium.

*July 15.*—Germany concludes payments of the 50,000,000 due to this date, in accordance with the March 21 agreement.

*Aug. 7-14.*—Third London conference.—France refuses to grant moratorium without further guarantees.

*Aug. 31.*—Reparation Commission grants six months' moratorium to Germany. Payment to Belgian Government to be made in treasury bills.

*Sept. 25.*—Germany hands over to Reparation Commission treasury bills to be paid to Belgium.

*Nov. 14.*—Germany requests moratorium.

*Dec. 7-11.*—Meeting of Allied Premiers in London. France declares that all proposals for a moratorium in 1923 must include additional guarantees.

*Dec. 26.*—Reparation Commission declares Germany in voluntary default in timber deliveries.

*Dec. 29.*—U. S. Secretary of State, Mr. Hughes, New Haven speech. (See p. 42.)

## 1923

*Jan. 2-7.*—Allied Premiers meet in Paris. French, British and Italian plan submitted but failed.

*Jan. 9.*—Reparation Commission declares Germany in default on coal deliveries.

*Jan. 11.*—French and Belgium troops enter the Ruhr territory. Germany sends a note in protest to Allied and neutral countries.

*Jan. 14.*—Germany notifies Allied Powers that deliveries and payments will be suspended to the powers participating in Ruhr occupation, owing to the alleged violation of the treaty of Versailles.

*Jan. 16.*—The Reparation Commission declares Germany in default on deliveries in kind, other than coal and timber.

*Jan. 27.*—Germany is declared in default on basis of German note of Jan. 14.

*Mar. 12.*—Franco-Belgian conference in Brussels. Decision reached that the newly occupied territory will be gradually evacuated upon execution of reparations obligations by Germany and upon the removal of all penalties on German nationals who have collaborated with the Allied authorities.

*Apr. 15.*—The second installment of six months' treasury bills is paid by Germany. (See Sept. 25, 1922.)

*May 2.*—Germany sends new offer. Stipulates that passive resistance will continue till Ruhr is evacuated.

*May 6.*—France and Belgium reject new offer.

*May 12.*—Italy disapproves German offer.

*June 7.*—Germany amends her offer which is also declined.

*June 9.*—British send invitation for a conference of allies.

*June 24.*—Degoutte issues coal seizure order.

## 1923—continued

*June 30.*—Order isolating occupied territory, July 1-15.

*July 3.*—Belgium replies to British.

*July 6.*—France replies to British.

*July 20.*—British send note to allies.

*July 30.*—France and Belgium reply to British note.

*Aug. 6.*—Italian reply to British note indicates general approval of British proposals.

*Aug. 11.*—Germany declares all deliveries will have to stop.

*Aug. 12.*—Chancellor Cuno resigns. Dr. Gustav Stresemann appointed by President Ebert to form the new Government.

*Aug. 21.*—Premier Poincare replies to British note of August 11. Defends Ruhr policy and rejects proposals of having a body of experts fix a new amount of reparations.

*Sept. 26.*—President Ebert issues proclamation to Germans stating that passive resistance must be abandoned.

*Oct. 12.*—Lord Curzon, British Foreign Secretary, send message to Secretary Hughes. (See p. 42.)

*Oct. 15.*—Secretary Hughes replies. (See p. 42.)

*Oct. 24.*—German Govt. sends note to Reparation Commission stating that it is in principle prepared to resume reparation payments, but requests Reparation Commission to examine resources and capacity of Germany.

*Oct. 26.*—France, Italy, and Belgium accept the British invitation to enter into conference on the reparations question.

*Nov. 16.*—British and Italian Governments advise that they can not countenance the seizure of any more territory or sanctions.

*Nov. 23.*—Chancellor Stresemann's ministry falls on a vote of no confidence, 230 to 155. Industrial leaders in the Ruhr sign Micum\* agreement.

*Nov. 30.*—The Allied Governments agree to the appointment by the Reparation Commission of two expert committees to consider balancing Germany's budget and stabilizing its currency, and to investigate the amount of exported German capital, and plan ways of bringing it back to Germany.

*Dec. 12.*—Mr. James A. Logan, American observer on the Reparation Commission, advises the commission that his Government approves of a participation by American experts on the two committees investigating Germany's financial situation.

*Dec. 15.*—The Reparation Commission decides to invite Charles G. Dawes and Owen D. Young to serve as American experts in connection with the inquiry into Germany's financial situation.

*Dec. 20.*—Members of the Second Committee of Experts appointed.

## 1924

*Jan. 14.*—Brig. Gen. Charles G. Dawes (chairman) addresses the opening of the meeting of the experts.

*Mar. 6.*—By a vote of 240 to 170 the British House of Commons resolves to reduce the duty under the reparation recovery act on German imports from 26 to 5 per cent.

*Mar. 26.*—Premier Poincare defeated, but accepts President Millerand's request that he form a new ministry and is reinstated as Premier (March 27).

*Apr. 9.*—Reports of the two expert committees submitted. (See p. 44.)

*April 11.*—The Reparation Commission approves, by unanimous vote, the reports of the two expert committees, stating that they offer a practical working basis for the speedy solution of German reparation.

*April 14.*—The German Government accepts the report of the experts' committee.

*May 26.*—Resignation of the German Cabinet accepted by President Ebert. On May 28 President Ebert requests Chancellor Marx to form a new Government.

*June 1.*—The Poincare Government ends.

*June 6.*—The Reichstag, by a vote of 247 to 183, approves the stand of the Marx-Stresemann Cabinet favoring acceptance of the report of experts.

*June 10.*—After a no-confidence vote by the Chamber of Deputies, President Millerand resigns.

*June 13.*—Gaston Doumergue elected President of France. Edouard Herriot named as Premier.

*June 22.*—A conference between Premiers MacDonald and Herriot held at Chequers Court, England. They agree to invite the United States to participate in the inter-Allied conference to be held July 15 for the application of the experts' plan for reparation payments.

*July 16.*—The Inter-Allied Conference opens in London at the British Foreign Office to consider certain agreements necessary to enable the Dawes Plan to be brought into operation. Delegates of the Governments of Great Britain, France, Belgium, Greece, Italy, Japan, Portugal, Rumania, Yugoslavia, together with representatives of the United States and the Reparation Commission were present. The Hon. J. Ramsey MacDonald, British Prime Minister and Secretary of State for Foreign Affairs was chairman.

\*Mission Interallie pour le Control des Usines et des Mines.

Continued on page 68

## America and Europe's Post-War Settlements

**PRESIDENT COOLIDGE**—"The findings of the experts, which is known as the Dawes Report shows a great deal of research and investigation, and a broad comprehension of the requirements of the situation. It has been favorably received by the Reparations Commission. There appears to be every reason to hope that the report offers a basis for a practical solution of the reparations problem. If this result is secured, the credit which will be due the Secretary of State, Mr. Hughes, to President Harding for adopting it and supporting it, and to the three Americans and their assistants, by whose wisdom and discretion it was formulated and rendered so acceptable, will be sufficient to warrant the lasting approbation of two continents. A situation at once both intricate and difficult has been met in a most masterful way. Our countrymen are justified in looking at the result with great pride. Nothing of more importance to Europe has occurred since the Armistice."

**SECRETARY HUGHES**—"The determinative principles of our foreign policy are those of independence and cooperation. Independence—that does not mean and never has meant isolation. Cooperation—that does not mean and never has meant alliances or political entanglements. There is the just middle course of national safety, of national honor, of national interest, of national duty. It is the course of an appropriate cooperation, congenial to our traditions and institutions."

**SECRETARY MELLON**—"The Dawes Plan, in my opinion, is one of the most important forward steps ever taken in international cooperation, and the service to the world is inestimable. One of its effects has been the growth of a new mental attitude and outlook on the part of Europe. Upon the German people themselves the actual burden of reparations is not so great or so disheartening as the uncertainty under which they have labored. Already a certain sense of relief and something of the old-time vigor and thrift are pervading that country, and there exists a wholesome air of confidence that their obligations can be met and the country restored to its former industrial progress."

### America's Cooperation in the Restoration of European Stability

#### Chronology of Principal Events Since the Armistice

**NOVEMBER 11, 1918**—Armistice concluded. The terms of the Armistice provide that the "districts on the left bank of the Rhine shall be administered by the local authorities under the control of the Allied and United States Armies of occupation \* \* \* and \* \* \* that compensation shall be made by Germany for all damage to civilian population of the Allies and their property by the aggression of Germany by land, by sea and from the air."

**June 28, 1919**—Treaty of Versailles signed by the plenipotentiaries of Germany and the Allied and Associated Powers.

**November 19, 1919**—Treaty of Versailles rejected by the United States Senate.

**January, 1920**—The Reparation Commission extended an invitation for the representation of the United States at its meetings, and Mr. Albert Rathbone, Assistant Secretary of the Treasury was authorized to attend the meetings unofficially for the purpose of protecting American interests.

**January 10, 1920**—Treaty of Versailles came into effect.

**March, 1920**—Roland W. Boyden succeeded Mr. Rathbone.

**February 19, 1921**—Mr. Boyden announced to the Reparation Commission his retirement as the American unofficial representative.

**May 5, 1921**—The United States received the following invitation from David Lloyd George, Prime Minister of Great Britain:

"As president of the Allied Conference, which is just completing its sittings in London, I am authorized with the unanimous concurrence of all the powers here represented to express to the United States Government our feeling that the settlement of the international difficulties in which the world is still involved would be materially assisted by the cooperation of the United States; and I am, therefore, to inquire whether that Government is disposed to be represented in the future, as it was at an earlier date, at allied conferences, wherever they may meet, at the Ambassadors' Conference, which sits at Paris, and on the Reparation Commission."

**May 6, 1921**—Mr. Hughes, Secretary of State, communicated the following reply to the British Ambassador:

"\* \* \* The Government of the United States, while maintaining the traditional policy of abstention from participation in matters of distinctly European concern, is deeply interested in the proper adjustments and in the just settlements of matters of world wide importance which are under discussion in these conferences, and desires helpfully to cooperate in the deliberations upon these questions."

"Mr. George Harvey, appointed ambassador to Great Britain, will be instructed on his arrival in England to take part as the representative of the President of the United States in the deliberations of the Supreme Council. The American ambassador to France will be instructed to resume his place as unofficial observer on the Conference of Ambassadors, and Mr. Roland W. Boyden will be instructed to sit again in an unofficial capacity on the Reparation Commission."

**August 25, 1921**—Treaty between the United States and Germany restoring friendly relations concluded. The terms of the treaty provide that:

"\* \* \* there are expressly reserved to the United States of America and its nationals any and all rights, privileges, indemnities, reparations, or advantages, together with the right to enforce the same, to which it or they have become entitled under the terms of the armistice signed November 11, 1918, or any extensions or modifications thereof; or which were acquired by or are in the possession of the United States of America by reason of its participation in the war or to which its nationals have thereby become rightfully entitled; or which, under the treaty of Versailles, have been stipulated for its or their benefit; or to which it is entitled as one of the principal allied and associated powers; or to which it is entitled by virtue of any Act or Acts of Congress; or otherwise."

In ratifying the Treaty of Peace with Germany, the Senate made a reservation (under resolution of October 18, 1921) as follows:

"\* \* \* that the United States shall not be represented or participate in any body, agency or commission, nor shall any person represent the United States as a member of any body, agency or commission in which the United States is authorized to participate by this Treaty, unless and until an Act of the Congress of the United States shall provide for such representation or participation."

**February 9, 1922**—The World War Foreign Debt Commission was created by an Act of Congress entitled: "An act to create a commission authorized under certain conditions to refund or convert obligations of foreign governments held by the United States."

**April 18, 1922**—The World War Foreign Debt Commission held its first meeting. Eliot Wadsworth, Assistant Secretary of the Treasury, was appointed Secretary of the Commission.

For detailed account of the funding of the obligations of the respective foreign governments as of November, 1922 and 1923, see THE CONGRESSIONAL DIGEST for December, 1922 and November, 1923. A Statement showing the status of all obligations of foreign governments held

by the United States Treasury as of *November 15, 1924*, will be found below under this date.

*August 10, 1922*—Mixed Claims Commission, established under agreement between United States and Germany. The Commission was authorized to pass upon the following categories of claims which are more particularly defined in the Treaty of August 25, 1921, between the United States and Germany, and in the Treaty of Versailles relative to (1) Claims of American citizens, arising since July 31, 1914, in respect of damage, to or seizing of, their property, etc. \* \* \* within German territory; (2) Other claims for loss or damage to which the United States or its nationals have been subjected \* \* \* since July 31, 1914, as a consequence of war; (3) Debts owing to American citizens by the German Government or by German nationals.

*October 9, 1922*—The first meeting of the Mixed Claims Commission, United States and Germany, was held in Washington.

*December 29, 1922*—Proposal by Mr. Hughes, Secretary of State, in an address at New Haven that the reparations problems, which lay at the basis of European economic difficulties, should be taken up by experts of eminent competence to the end that the economic problems could be dealt with upon its merits. In this address, the Secretary of State said:

"If statesmen cannot agree, and exigencies of public opinion make their course difficult, then there should be called to their aid those who can point the way to a solution."

"Why should they not invite men of the highest authority in finance in their respective countries—men of such prestige, experience and honor that their agreement upon the amount to be paid, and upon a financial plan for working out the payments, would be accepted throughout the world as the most authoritative expression obtainable? Governments need not bind themselves in advance to accept the recommendations, but they can at least make possible such an inquiry with their approval and free the men who may represent their country in such a commission from any responsibility to Foreign Offices and from any duty to obey political instructions. In other words they may invite an answer to this difficult and pressing question from men of such standing and in such circumstances of freedom as will insure a reply prompted only by knowledge and conscience. I have no doubt that distinguished Americans would be willing to serve in such a commission. If Governments saw fit to reject the recommendation upon which such a body agreed, they would be free to do so, but they would have the advantage of impartial advice and of an enlightened public opinion. Peoples would be informed, the question would be rescued from assertion and counter-assertion, and the problem put upon its way to solution."

"I do not believe that any general conference would answer the purpose better, much less than any political conference would accomplish a result which Premiers find it impossible to reach. But I do believe that a small group, given proper freedom of action, would be able soon to devise a proper plan. It would be time enough to consider forcible measures after such opportunity had been exhausted. Such a body would not only be expert but friendly. It would not be bound by special official obligations; it would have no animus and no duty but to find and state the truth. In a situation which requires an absence of technicality and immunity from interference, I hope that the way may soon be found for a frank discussion and determination of what is essentially an economic problem."

"The United States has the most friendly and disinterested purpose in this matter, and wishes to aid in any practicable way. But it is idle to make suggestions which arouse false hopes and are so impracticable that they cannot bear fruit. On the other hand, there lies open a broad avenue of opportunity if those whose voluntary action is indispensable are willing to take advantage of it. And, once this is done, the avenues of American helpfulness cannot fail to open hopefully."

*January, 1923*—The American Army of Occupation was withdrawn from Europe. The net amount payable to the United States for its army costs as of January 31, 1923, was estimated at \$255,000,000.

*April 10, 1923*—The second report of R. C. Morris, Agent of the United States before the Mixed Claims Commission, United States and Germany, stated that the aggregate amount of claims as served upon the joint secretaries and the agent of Germany is \$1,479,000,000, but that "this amount can only be viewed as approximate, as each claim

will have to be prepared before submitting it to the commission and amounts may have to be changed as the evidence may justify."

*May 25, 1923*—An agreement was negotiated with the Allied Powers for the reimbursement of the costs of the American Army of Occupation out of cash reparation payments in a prescribed manner so as to provide for the liquidation of the claim in about twelve years. This agreement will become effective when ratified by the French Government. (*See, November, 1924.*)

*October 12, 1923*—Lord Curzon, British Foreign Secretary, sent a communication to the U. S. Secretary of State through the British charge d'affaires in Washington, in which he said:

"The information which reaches America will have acquainted the American Government with the extremely critical economic position that has arisen in Europe owing to failure to find any solution for the reparation problem, which daily becomes more acute as the financial and political condition of Germany grows worse. There does not appear to be among the European powers that unity of thought which either renders common action feasible or will be successful in finding an early solution. \* \* \*

"When Mr. Hughes made his declaration in December last, both Great Britain and Germany made it clear that they would warmly welcome the proffered assistance; and whenever the suggestion has been revived it has met with the hearty approval of His Majesty's Government. \* \* \*

"His Majesty's Government were already engaged in formulating an inquiry to the United States Government as to the manner in which, in the opinion of the latter, the united action, which is the common desideratum, could best be brought about when they read in the press yesterday morning a declaration, reported to have been made by President Coolidge, that the American Government rest on their proposal of December last. His Majesty's Government warmly welcome this declaration, and hope that they are justified in deducing from it, that if the European powers will join in such an inquiry, America will render the promised co-operation. \* \* \*

*October 15, 1923*—Secretary Hughes sent a reply to the communication of the British charge d'affaires of October 13th, in which he said:

"In reply to the communication of His Majesty's charge d'affaires of October thirteenth, the Secretary of State desires again to express the deep interest of the United States in the economic situation in Europe and its readiness to aid in any practicable way to promote recuperation and a reestablishment of economic stability. \* \* \*

"It is believed that present conditions make it imperative that a suitable financial plan should be evolved to prevent economic disaster in Europe, the consequences of which would be world-wide. It is hoped that existing circumstances are propitious for the consideration of such a plan inasmuch as the abandonment of resistance on the part of the German Government will present a freer opportunity and an immediate necessity for establishing an economic program. The Government of the United States is therefore entirely willing to take part in an economic conference, in which all the European Allies chiefly concerned in German reparations participate, for the purpose of considering the questions of the capacity of Germany to make reparation payments and an appropriate financial plan for securing such payments. \* \* \*

"The Government of the United States has no desire to see Germany relieved of her responsibility for the war or of her just obligations. \* \* \* It should be evident that in the effort to attain the ends in view regard must be had to the capacity of Germany to pay and to the fundamental condition of Germany's recuperation, without which reparation payments will be impossible. \* \* \*

"The Government of the United States has consistently maintained the essential difference between the questions of Germany's capacity to pay and of the practicable methods to secure reparation payments from Germany and the payment by the Allies of their debts to the United States, which constitute distinct obligations. In the statement of the Secretary of State, to which His Majesty's Government refers, it was said:

"The matter is plain enough from our standpoint. The capacity of Germany to pay is not at all affected by any indebtedness of any of the Allies to us. That indebtedness does not diminish Germany's capacity, and its removal would not increase her capacity. For example if France had been able to finance her part in the war without borrowing it all from us—that is, by taxation and internal loans—the problem of what Germany could pay would be exactly the same. Moreover, so far as the debts to the United States are concerned, they have unsettled credit balances, and their condition and capacity to

pay can not be properly determined until the amount that can be realized on these credits for reparations has been determined.

"The Administration must also consider the difficulty arising from the fact that the question of these obligations which we hold, and what shall be done with them, is not a question within the province of the Executive. Not only may Congress deal with public property of this sort but it has dealt with it. It has created a commission, and instead of giving that commission broad powers such as the Administration proposed, which, quite apart from cancellation, might permit a sound discretion to be exercised in accordance with the facts elicited, Congress has placed definite restrictions upon the power of the commission in providing for the refunding of these debts."

"It is hardly necessary to add, as it has frequently been stated by the Government of the United States, that while the American people do not favor cancellation of the debts of the Allies to the United States or of the transfer to the people of the United States of the burden of Germany's obligations, directly or indirectly, the Government of the United States has no desire to be oppressive or to refuse to make reasonable settlements as to time and terms of payment, in full consideration of the circumstances of the Allied debtors. It may be added that the establishment of sound economic conditions in Europe, the serious reduction of military outlays, and the demonstration of a disposition of European peoples to work together to achieve the aims of peace and justice will not fail to have their proper influence upon American thought and purpose in connection with such adjustments.

"In further reply to the communication of His Majesty's Government it may be said that the Government of the United States is not in a position to appoint a member of the Reparation Commission, inasmuch as such an appointment can not be made without the consent of the Congress. The Secretary of State has no doubt, however, that competent American citizens would be willing to participate in an economic inquiry, for the purposes stated, through an advisory body appointed by the Reparation Commission to make recommendations, in case that course after further consideration should be deemed preferable. \* \* \*

*October 28, 1924*—Representatives of the allied and associated powers in the World War convened at Paris to prepare a tentative basis for distributing the early payments from Germany among her creditor nations. James A. Logan, is acting for the United States. The tentative basis arranged at this meeting will later come before a conference of Allied Finance Ministers to be held shortly. The United States is interested in the Paris conference, because of the agreement reached between the allied and associated powers that the United States should receive payments for the American Army of Occupation in Germany, from the first payments by Germany, and because of the private property claims before the Mixed Claims Commission.

*November 30, 1923*—Reparation Commission adopted resolutions creating two committees of experts belonging to the Allied and associated countries in accordance with the provisions of article 234 of Treaty of Versailles which reads as follows: "Article 234—The Reparation Commission shall after May 1, 1921, from time to time, consider the resources and capacity of Germany, and, after giving her representatives a just opportunity to be heard, shall have discretion to extend the date, and to modify the form of payments, such as are to be provided for in accordance with Article 233; but not to cancel any part, except with the specific authority of the several governments represented upon the Commission."

*December 21, 1923*—The Reparations Commission appointed Charles G. Dawes and Owen D. Young to serve as

American experts on the First Committee of Experts, and decided to offer the chairmanship to General Dawes.

*December 26, 1923*—The Reparation Commission appointed Henry M. Robinson, an American, to serve as a member of the Second Committee of Experts.

*January 14, 1924*—The Experts Committees were installed. M. Louis Barthou, Chairman of the Reparation Commission in his address of welcome to the members of the Committee said: "The whole Commission rejoices that American citizens have come to co-operate with the Allied experts; this will greatly reinforce the authority of the Committee's findings."

The meeting of the First Committee of Experts was opened. General Charles G. Dawes, Chairman, addressed the Committee.

*April 9, 1924*—Report of the First Committee of Experts submitted. This report is known as the "Dawes Plan." (See page 44 for members, meetings held, and summary of report.) The report of the Second Committee of Experts under the chairmanship of Reginald McKenna (ex-chancellor of the Exchequer, Great Britain), was also submitted on this date. This Committee which was instructed "to consider the means of estimating the amount of exported capital and of bringing it back to Germany," stated that:

"After a close examination of all the factors which make up the total sum, we are of opinion that German capital abroad of every kind, including capital of varying degrees of liquidity and capital invested in participations in foreign companies and firms, and after taking into account all credit and debit items, was at the end of the year 1923 not less than 5.7 milliard gold marks and not more than 7.8 milliard gold marks, and we think that the middle figure of 6½ milliard gold marks is the approximate total."

*July 16, 1924*—The London Reparation Conference met in London, attended by Mr. Kellogg, the American Ambassador, and Mr. Logan, in behalf of the United States.

*August 30, 1924*—The Reparation Commission appoints Mr. Owen D. Young (American) as Agent General for Reparation Payments *ad interim*.

*September 3, 1924*—The Reparation Commission appoints Mr. Seymour Parker Gilbert (American) Agent General for Reparation Payments.

*October 10, 1924*—The contract for the loan of 800,000,000 gold marks to Germany under the Dawes plan was signed at London.

*October 13, 1924*—The Reparation Commission approved a series of decisions to give effect to the terms of the loan and declaring that all conditions attached to the Dawes plan had been complied with and that the plan is now legally binding on Germany.

*October 14, 1924*—Subscriptions to the loan were opened in this country and it was at once oversubscribed.

*November 15, 1924*—Statement showing obligations of foreign governments held by the United States Treasury. See page 68.

*November, 1924*—The Agreement with the Allied Powers for the reimbursement of the costs of the American Army of Occupation announced May 25, 1925, was submitted by M. Herriot to the French Chamber of Deputies for ratification.

**"As the United States has decided not to become a member of the League of Nations, this Government cannot act as though it were a member. This Government cannot appoint its representatives as members of the League's Council, Assembly or committees. And this fact is properly recognized when we appoint so-called "observers" or unofficial representatives, who have appropriate contact with such committees in matters affecting our interests or the humanitarian concerns which appeal to us."**

"They are unofficial simply in the sense that they are not and cannot properly become, members of the League organization or committees. But, so far as our Government is concerned, they represent it just as completely as those designated by the President always have represented our Government in the conferences and negotiations which he properly authorizes in the conduct of our foreign relations. Of course, such representatives cannot enter into any agreements with other Governments until they are approved in accordance with the requirements of our Constitution."

—SECRETARY HUGHES

## The Reparation Commission

Created Under Article 233 of the Treaty of Versailles

*The articles in the Treaty referring to the work of the Commission will be found on page 39, under date line of June 28, 1919. The activities of the Commission since its inception are also listed in the Chronology, on page 39.*

**Headquarters:** The Commission will have its principal permanent Bureau in Paris and will hold its first meeting in Paris \* \* \* and thereafter will meet in such place or places and at such times as it may deem convenient and \* \* \* necessary \* \* \*—Part VIII, Annex II, Section I, Paragraph 5, of the Treaty.

*Membership (as of April 9, 1924):*

COUNTRY	ALLIED DELEGATES	ASSISTANT DELEGATES	COUNTRY	ALLIED DELEGATES	ASSISTANT DELEGATES
Great Britain	Sir John Bradbury	Sir Hugh Levick	Greece	M. Alexandri	M. Cavadias
France	M. Louis Barthou, <i>Chairman</i>	M. Mauleire	Czecho-Slovakia	M. Osusky	No assistant
Italy <sup>1</sup>	Salvago Raggi, <i>Vice-Chairman</i>	M. Corsi	Poland	M. de Swolewski	No assistant
Belgium	M. Delacroix	M. Gutt	Portugal	M. Armando Navarro	No assistant
Japan <sup>1</sup>	Kengo Mori	Teiki Sakiba			
Serb-Croat-Slovene State	M. Boshkovich	M. Djouritch	For all other nations.	M. Mrozowski	M. Krno
Roumania	M. Neculcea	No assistant	<i>Common Delegate</i>		

## The Reparation Commission Appoints the Committees of Experts

Resolutions Adopted by the Reparation Commission on November 30, 1923

In order to consider, in accordance with the provisions of article 234 of the Treaty of Versailles, the resources and capacity of Germany, and after giving her representatives a just opportunity to be heard, the Reparation Commission decides to create two committees of experts belonging to the allied and associated countries.

One of these committees would be entrusted with considering the means of balancing the budget and the measures to be taken to stabilize the currency.

The other would consider the means of estimating the amount of exported capital and of bringing it back to Germany.

*Membership of the Committees (announced December 27, 1923)*

<i>First committee</i>		<i>Second committee</i>	
UNITED STATES:	ITALY:	UNITED STATES:	ITALY:
Charles G. Dawes, Chairman.	Alberto Pirelli.	Henry M. Robinson.	Mario Alberti.
Owen D. Young.	Federico Flora.		
GREAT BRITAIN:		GREAT BRITAIN:	
Sir Robert Molesworth Kindersley.	BELGIUM:	Reginald McKenna, Chairman.	BELGIUM:
Sir Josiah Charles Stamp.	Emile Francqui.		
FRANCE:	Baron Maurice Houtart.	FRANCE:	Albert-Edouard Janssen.
Jean Parmentier.		Andre Laurent-Atthalin.	
Edgard Allix.			

## The First\* Committee of Experts Makes Its Report

Letter from the Chairman, Charles G. Dawes, to the Reparation Commission, Transmitting the Report

April 9, 1924.

Your Committee of Experts has unanimously adopted a report upon the means of balancing the budget of Germany and the measures to be taken to stabilize its currency, which I now have the honor to submit.

Deeply impressed by a sense of its responsibility to your commission and to the universal conscience, the committee bases its plan upon those principles of justice, fairness, and mutual interest, in the supremacy of which not only the creditors of Germany and Germany herself, but the world, has a vital and enduring concern.

With these principles fixed and accepted in that common good faith which is the foundation of all business and the best safeguard for universal peace, the recommendations of the committee must be considered not as inflicting penalties, but as suggesting means for assisting the economic recovery of all the European peoples, and the entry upon a new period of happiness and prosperity unmenaced by war.

\*The report of the Second Committee of Experts was also submitted on April 9, 1924. See page 43 under date of April 9, 1924.

Since, as a result of the war, the creditors of Germany are paying taxes to the limit of their capacity, so also must Germany pay taxes from year to year to the limit of her capacity. This is in accord with that just and underlying principle of the Treaty of Versailles, reaffirmed by Germany in her note of May 29, 1919, that the German scheme of taxation must be "fully as heavy proportionately as that of any of the powers represented on the commission." More than this limit could not be expected, and less than this would relieve Germany from the common hardship and give her an unfair advantage in the industrial competition of the future. This principle the plan embodies.

To insure the permanence of a new economic peace between the Allied Governments and Germany, which involves the economic readjustments presented by the plan, there are provided the counterparts of those usual economic precautions against default recognized as essential in all business relations involving expressed obligations. The existence of safeguards in no way hampers or embarrasses the carrying out of ordinary business con-

tracts. The thorough effectiveness of these safeguards should not embarrass the normal economic functioning of Germany, and is of fundamental importance to her creditors and to Germany.

Great care has been taken in fixing conditions of supervision over Germany's internal organization so as to impose the minimum of interference consistent with proper protection. This general plan, fair and reasonable in its nature, if accepted, leads to an ultimate and lasting peace.

In the preparation of this report, the committee \*\*\* has had the constant cooperation of able staffs of experts, gathering information, digesting it and presenting it. It conducted, on the ground, an examination of the officials of the German Government and representatives of its labor, agriculture, and industry. It received from the German Government and its representatives voluminous and satisfactory answers in response to its written inquiries. In connection with various features of its report, both for gathering information and for advice, it has called to its assistance outside experts of international reputation. The published reports and statements of economists of world-wide standing have been in its hands. It has had the benefit of the accumulated information heretofore gathered by your commission.

In its work, the full committee has held, since January 14, 1924, 54 meetings; the subcommittee on the stabilization of the currency, composed of Monsieur Parmenier, Sir Robert Kindersley, Monsieur Francqui and Professor Flora, assisted by Mr. H. M. Robinson, under the

chairmanship of Mr. Owen D. Young, has held 81 meetings; and the subcommittee on the balancing of the budget, composed of Professor Allix, Baron Houtart, and Monsieur Pirelli, under the chairmanship of Sir Josiah Stamp, has held 63 meetings. They have had the assistance of Mr. Andrew McFadyean, the general secretary. Again, the time of the committee, outside of that consumed by the meetings, has been given largely to investigation and study.

In speaking of my colleagues and as bearing upon the value of this report, I feel that I should make it known to your commission and to the world, that their governments have in no case limited their complete independence of judgment and action, either before or after their appointment by you. Limited only by the powers granted by your commission, each has performed his arduous and responsible work as a free agent. These men, searching for truth and advice thereon, were answerable only to conscience. In their vision, in their independence of thought, and above all, in their spirit of high and sincere purpose, which rises above the small things over which the small so often stumble, my colleagues have shown themselves worthy of this trust. That their work, which I now place in your hands, may assist you in the discharge of your great responsibilities, is their prayer, and the knowledge hereafter, that it has done so, will be their full reward.—*Extracts.*

CHARLES G. DAWES, Chairman.

## Outline of The Dawes Plan

### Introduction

**WE** were invited by the Reparation Commission, by decision of November 30, 1923, to "Consider the means of balancing the budget and the measures to be taken to stabilize the currency" of Germany.

We have been in continuous session since January 14, 1924, in Paris, except for one fortnight spent in Berlin.

We have called in to assist us eminent technical advisers on the various questions which have been under consideration, and have been in touch with representative German opinion.

We have the honor to present the following report which

states the unanimous conclusions formed as a result of our studies and inquiries.

Part I of this report states our conception of our task, our conclusions, and the broad outline of our plan.

Part II indicates the considerations which guided us to our conclusions, in particular so far as they result from certain aspects of the present financial and economic condition of Germany, which is here described.

Part III consists of a series of annexes which give the technical detail of our several proposals, and should be read as a supplement to the respective portions of Part I.

### Summary of Part I

**E**rror's Note: The text of the Dawes Plan includes the introductory paragraph (above) followed by Parts I, II, and III. The following summary of Part I (which states "the broad outline" of the plan) was prepared by the Committee and appears in all official texts but carries the following note: "The summary is furnished only for the convenience of the readers, Parts I and II and the annexes, Part III, are the only authoritative statements of the plan." The reader is therefore advised to consult the complete text. See page 71 for list of available reprints.

#### I.—The Attitude of the Committee

- (a) The standpoint adopted has been that of business and not politics.
- (b) Political factors have been considered only in so far as they affect the practicability of the plan.
- (c) The recovery of debt, not the imposition of penalties, has been sought.
- (d) The payment of that debt by Germany is her necessary contribution to repairing the damage of the war.
- (e) It is in the interest of all parties to carry out this plan in that good faith which is the fundamental of all business. Our plan is based upon this principle.
- (f) The reconstruction of Germany is not an end in itself; it is only part of the larger problem of the reconstruction of Europe.
- (g) Guarantees proposed are economic, not political.

#### II.—German Economic Unity

For success in stabilizing currency and balancing budgets, Germany needs the resources of German territory as defined by the treaty of Versailles, and free economic activity therein.

#### III.—Military Aspects—Contingent Sanctions and Guarantees

- (a) Political guarantees and penalties are outside our jurisdiction.
- (b) The military aspect of this problem is beyond our terms of reference.
- (c) Within the unified territory, the plan requires that when it is in effective operation:

1. If any military organization exists, it must not impede the free exercise of economic activities;

### III—Military Aspects—continued

2. There shall be no foreign economic control or interference other than that proposed by the plan.  
 (d) But adequate and productive guarantees are provided.

### IV.—The Committee's Task

- (a) Stabilization of currency and the balancing of budgets are interdependent, though they are provisionally separable for examination.  
 (b) Currency stability can only be maintained if the budget is normally balanced; the budget can only be balanced if a stable and reliable currency exists.  
 (c) Both are needed to enable Germany to meet her internal requirements and treaty payments.

### V.—Economic Future of Germany

- (a) Productivity is expected from increasing population, technical skill, material resources, and eminence in industrial science.  
 (b) Plant capacity has been increased and improved since the war.

### VI.—Currency and a Bank of Issue

- (a) All classes will benefit from stabilized currency, especially labor.  
 (b) Under present conditions rentenmark stability is only temporary.  
 (c) A new bank is set up or the Reichsbank reorganized.  
 (d) The main characteristics of the bank will be:  
 1. To issue notes on a basis stable in relation to gold, with an exclusive privilege;  
 2. To serve as a bankers' bank, establishing the official rate of discount;  
 3. To act as the Government banker, but free of Government control;  
 4. Advances to Government to be strictly limited;  
 5. To hold on deposit reparation payments;  
 6. The capital of the bank will be 400,000,000 gold marks;  
 7. It will be directed by a German president and managing board, who can be assisted by a German consultative committee;  
 8. The due observance of its statutes will be further safeguarded by a general board, of which half of the members, including a commissioner, will be foreign.

### VII.—Budget and Temporary Reparation Relief

- Balancing the German budget requires:  
 (a) Full economic and fiscal sovereignty, subject to the supervision provided for in this report;  
 (b) A stable currency;  
 (c) Temporary relief from charges on the budget for treaty obligations;  
 (d) Such relief not to suspend essential deliveries in kind.

### VIII.—The Basic Principles of Germany's Annual Burden

(a) Treaty obligations and continuity of balanced budgets.

1. Balancing the budget does not entail merely provision for internal administrative expenditure.
  2. Germany must also provide within the utmost limit of her capacity for her external treaty obligations.
  3. The budget can be balanced without necessarily dealing with the total capital debt of Germany.
  4. It cannot be continuously balanced unless the annual charge is fixed for a considerable period on a basis clearly prescribed in advance.
- (b) Commensurate taxation:

1. Government internal debt has been practically extinguished by the depreciation of the currency.
2. New debt charge ought to be met commensurate with the burden of the French, English, Italian, and Belgian taxpayer.
3. The treaty recognizes this principle.
4. It is morally sound.
5. It is economically just in its influence on costs of production.
6. This principle has been applied to the full limit of practicability.

(c) Allies' share in Germany's prosperity.

1. Germany's creditors must share in the improvement in Germany's prosperity.
2. This will be secured by an index of prosperity.

(d) There is an important difference between the German's capacity to pay taxes and Germany's capacity to transfer wealth abroad.

### IX.—Normal Resources From Which Payments are Made

Germany will pay treaty charges from three sources:

(A) Taxes; (B) Railways; (C) Industrial debentures.

(A) From her ordinary budget:

- 1924-25 budget may be balanced if it is free from peace treaty charges.  
 1925-26 budget receiving 500,000,000 gold marks from special sources, may pay that sum for reparation.

	Gold Marks
1926-27.....	*110,000,000
1927-28.....	*500,000,000
1928-29.....	1,250,000,000

This is considered a normal year and a standard payment; thereafter additional payments will be made, depending on prosperity.

(B) From railways:

1. Railway bonds—

- (a) Eleven milliards of first mortgage railway bonds against a capital cost of twenty-six milliards will be created for reparations;  
 (b) These bonds bear 5 per cent interest and 1 per cent sinking fund per annum;  
 (c) In view of reorganization, interest is accepted as follows:

	Gold Marks
1924-25.....	330,000,000
1925-26.....	465,000,000
1926-27.....	550,000,000
1927-28 and thereafter.....	660,000,000

Behind the bonds there will be created 2 milliards of preference shares to be reserved for sale to the public, and 13 milliards of common stock; three-fourths of the proceeds of the preference shares will be applied, as required, to the payment of debt and for capital expenditure of the railways. The remaining 500 millions of preference shares and all the common shares go to the German Government.

2. Transport tax—

After 1925-26, 290,000,000 gold marks per annum for reparation and balance to German Government.

(C) Industrial debentures.

1. Five milliards of industrial debentures are provided for reparation.
2. The resulting charge on industry is less than that existing before the war and now wiped out by depreciation.

*Continued on page 70*

<sup>\*</sup>Subject to addition or reduction in certain contingencies

## A Brief Summary of Important Aspects of the Dawes Plan

*Prepared by Benjamin M. Anderson, Jr., Economist, Chase National Bank of New York*

THE report of the Dawes Committee, though comprising 44,000 words, is a closely reasoned document, which does not readily lend itself to further condensation. The following outline of its more important aspects is here ventured:

The Committee considered two chief questions: How can the German budget be balanced and German currency be stabilized while providing for adequate reparations payments? "Political considerations necessarily set certain limits within which" an acceptable solution was to be found.

**General Principles:** Responsibility to the "universal conscience" impelled the choice of plans based on justice, fairness and mutual interest. The recovery of debt, not the imposition of penalties, has been sought. The burdens of debt and taxation borne by Germany should at least equal those borne by the Allied nations. The argument is dismissed that Germany's full domestic demands constitute a first charge on her resources. The entire plan is based on the assumption that the fiscal and economic unity of Germany will be restored, that economic activity will not be hampered by political or military control.

**Confidence Essential:** Cooperation between the Allies and Germany based on mutual interest is essential to re-establish international confidence in European stability as a prerequisite for a foreign loan to Germany.

**Foreign Loan:** A foreign loan of 800,000,000 marks\* is required for the establishment of the new bank of issue, for currency stabilization, and for the first year's reparations payments.

**New Bank of Issue:** The proposed new bank of issue would have a capital of 400,000,000 marks, subscribed in Germany and abroad, administered by a German President and a German managing board, and supervised in large matters affecting creditor nations by a general board of seven Germans and seven foreigners, one of these foreigners being the Bank Commissioner. The bank will be the fiscal agent and depository of the Government, but will be privately owned and free of Government control.

**Currency Stabilization:** The bank will have the exclusive right to issue paper money (with certain minor qualifications). Paper currency now outstanding will be gradually withdrawn from circulation. A gold reserve of 33 1-3 per cent is to be maintained. As a permanent policy, the bank's notes are to be redeemed in gold, but the Committee believes that conditions will be unfavorable to immediate redemption at the inception of the bank.

**Revenue Sources:** The following sources of revenue for reparations are proposed: the foreign loan of 800,000,000 marks (part of first year's payment), a mortgage on German railways, a mortgage on German industries, a transport tax, and revenues from the general budget, guaranteed by certain "controlled revenues" mentioned below.

**Revenue from Railways:** Eleven billion marks of 1st mortgage 5% bonds, with 1% sinking fund, are to be

issued against German railroads. The schedule of interest payments is given below. Two billion marks of preference shares are to be issued, a half billion marks going to the German Government. Common stock for 13,000,000 marks is turned over to the German Government.

**Revenue from Industries:** The Committee recommends that 5,000,000,000 marks of 1st mortgage 5% bonds with 1% sinking fund, be issued against German industries, excepting agriculture. The interest payments for reparations would be: 1st yr., none; 2nd yr., 2½%; 3rd yr., 5%; 4th yr., and thereafter 5% and 1% sinking fund. The bonds will be the individual obligations of the several concerns. A Trustee of Industrial Debentures will administer the bonds.

**Transport Tax:** The plan proposes that the present transport tax averaging 6% on gross receipts from railway traffic shall be continued, reparations to receive 250,000,000 marks in 1925-26 and 290,000,000 marks in 1926-27 and subsequent years.

**"Controlled Revenues":** Revenues from customs, alcohol, tobacco, beer and sugar are to be assigned to and put under the control of Germany's creditors, and are to guarantee, after 1925-26, the reparations payments from the budget. All receipts above the treaty charges revert to the German Government. A Commissioner of Controlled Revenues, assisted by five Subcommissioners, supervise these revenues. (See Committee's summary for the schedule of payments on page 46.)

**Index of Prosperity:** The Committee believes that reparations payments scheduled through 1928-29 can be met by Germany without undue hardship, and that Germany's capacity to pay will increase with her gain in national prosperity. It is recommended that additional payments be made proportional to this gain in prosperity, and to measure this gain an "index of prosperity" is devised.

**The Transfer of Payments Out of Germany:** The amount that can be raised in Germany and the amount which can be transferred abroad are treated as two distinct questions. For the stability of a country's currency and for a balanced budget to be permanently maintained, its earnings abroad must equal the payments made abroad, including not only payments for imports but also reparations payments. Experience, and experience alone, the Committee holds, can show what transfers into foreign currencies can in practice be made. This problem is placed in charge of a Transfer Committee, which is to consist of the Agent General for Reparations Payments and five experts in foreign exchange and finance. Reparations funds are not to be deposited in the bank of issue in excess of 2,000,000,000 marks. Funds accumulated in excess of this amount are to be employed in bonds and loans in Germany, but total accumulations in Germany must not exceed 5,000,000,000 marks. If this limit is reached, the reparations payments are to be reduced so as to keep the accumulation within the stated limit. Also, the Transfer Committee shall have power, by a two-thirds vote, to suspend accumulation before reaching 5,000,000,000 mark limit if its members decide that such accumulation is a menace to the economic situation in Germany or to the interests of the creditor nations.—See 10, p. 71.

\* "Gold marks" is to be understood throughout, when the word "marks" is used.

## The London Conference Sets Up The Dawes Plan

THE acceptance of the Dawes plan for recovering the reparation debt of Germany to the Allies under the Treaty of Versailles was confirmed by all of the interested parties at London on August 16, 1924, and certain agreements necessary to enable the plan to be brought into operation were drawn up and initiated. Formal signatures to them were attached on August 30 after the French Parliament had approved the work of the conference on August 24 and 26, and the laws for carrying the plan into effect had been passed by the German Reichstag on August 29. The process of putting the plan into operation was thereupon promptly started. Immediately after the signatures had been attached on August 30, the French Government issued instructions for the evacuation of a section of the Ruhr, and the Reparation Commission on the same day announced the appointment of the principal officials who are to administer the plan.

Two days later, namely, on September 1, the first installment of twenty million (20,000,000) gold marks, due from Germany under the plan, was paid to the Agent General for Reparation Payments, and the second installment was promptly paid ten days later. On September 4, the restrictions placed upon the movement of persons, goods and vehicles between occupied and unoccupied Germany were removed, and four days later the eastern customs line between the same ter-

ritories was abolished. On September 10, the first of the Ruhr political prisoners were set at liberty.

The London Conference was divided into two stages, first, the discussions between the Allies, and secondly, the negotiations with the Germans.

In the Inter-Allied stage of the conference, the question of declaring a German default in the execution of the Dawes plan was the most difficult to solve.

During the second stage of the conference, the overshadowing question was the military evacuation of the Ruhr.

As will be seen in the Agreements the Reparation Commission retains jurisdiction of the question of German defaults, but an American is to be added when the commission is considering any point relating to the Dawes report, and the provisions of the Treaty of Versailles are amended so as to provide for appeals to an arbitral commission from decisions of the Commission upon German defaults either under the treaty or the Dawes plan. The complete military evacuation of the Ruhr within one year was promised by France and Belgium and they gave up their demand for the retention of employees on the German railways.

The documents embodying the arrangements of the conference at London consist of a protocol stating the general results, and four annexed agreements.—*Extracts, see 22, p. 71.*

### Text of the London Agreement Protocol

THE representatives of the Belgian Government, the British Government (with the Governments of Canada, Australia, New Zealand, South Africa, and India), the French Government, the Greek Government, the Italian Government, the Japanese Government, the Portuguese Government, the Rumanian Government, the Serb-Croat-Slovene Government, and the German Government, accompanied by the representatives of the Government of the United States of America, with specifically limited powers, and the representatives of the Reparation Commission, being assembled at the foreign office, under the chairmanship of the Right Honorable James Ramsey MacDonald, Prime Minister and Secretary of State for Foreign Affairs, on the conclusion of the proceedings of the London conference on the application of the plan presented to the Reparation Commission on April 9, 1924, by the first committee of experts appointed by it on November 30, 1923, the president states that all the governments concerned and the Reparation Commission have confirmed their acceptance of the plan and have agreed to its being brought

into operation, and that in the course of the proceedings of the conference certain agreements which are necessary to enable the plan to be brought into operation have been drawn up or already signed by the parties concerned. It is understood that these agreements, which have now been signed or initialled *ne varietur* (except as regards the dates laid down in the agreement forming Annex III hereto, which will be extended by 17 days) and are annexed hereto are mutually interdependent. The representatives of the parties concerned will meet in London on the thirtieth of August next in order to effect at one and the same session the formal signature of the documents which affect them and have not already been signed. On this occasion a certified copy of the agreement concluded between the Allied Governments will be communicated to the German Government.

The statement of the president having been approved unanimously by the representatives of the Governments concerned and of the Reparation Commission, the president declares the proceedings of the conference at an end.

### A Digest of the Agreements Signed at the London Conference

ANNEX I. is an agreement, concluded on August 9 between the Reparation Commission and the German Government by which each agrees to take the necessary steps to put the Dawes plan into operation. The Reparation Commission in particular undertakes to take all appropriate measures for facilitating the issue of the German loan.

Annex II. is an agreement between the Allies and the German Government. It defines the rights and obligations of the Transfer Committee and lays down the forms of arbitration to be followed in various cases.

Annex III. is another agreement between the Allies and Germany. It lays down when the Dawes plan is to be put into execution, and what its execution implies. Article I says that:—

A. The Dawes plan will be considered to have been put into execution when:—

1. Germany has taken the following measures:—
  - (a) Passage by Reichstag and promulgation of laws necessary for working of plan.
  - (b) Installation of executive and controlling bodies provided for in plan.
  - (c) Constitution of the bank and German railway company provided for in plan.
  - (d) Deposit with the trustees of certificates representing railway bonds and such industrial debentures as organization committees may suggest.
2. Restoration to German administration of the power which it enjoyed in occupied territories prior to January 11, 1923.

2. Contracts for the 800 million gold-mark loan have been fulfilled.
- B. The fiscal and economic unity of Germany will be considered to have been restored when Allied Governments have taken following measures:—

*Continued on page 70*

## The Dawes Plan in Operation

Organizations and Agents\* Charged with Operation of the Dawes Plan and the London Agreements  
*From Supplement to No. 2 (October, 1924) of the Journal of The International Chamber of Commerce, (Paris).*

### Bank of Issue

#### ORGANIZATION COMMITTEE:

*Functions:* Draft statutes of Bank; interpret text of statutes; take all preliminary measures for its organization.

*Composition:* Two members; President of Reichsbank and a member of Experts Committees, apptd. by Reparation Commission.

*Appointments:* Dr. Hjalmar Schacht (German), President of Reichsbank; Apr. 30; Sir Robert Kindersley (British).

#### MANAGING BOARD:

*Functions:* Technical management and administration of operations.

*Composition:* President: President of Reichsbank (temporarily) thereafter an elected President. Apptd. by a majority of 9 votes (of which 6 German) of General Board; German members only, apptd. by President with approval of General Board.

*Appointments:* Oct. 9: Dr. Hjalmar Schacht, Dr. Karl von Grimm, Karl Kaufmann, Paul Schneider, Arnold Budezies, Dr. Bruno Bernhardt, Otto Seiffert, Dr. Wilhelm Bocke, Dr. Karl Friedrich, Richard Fuchs and Paul Schneider.

*Continued on page 69*

## First Results of the Dawes Plan

*"Has Worked So Far Without a Hitch"—Owen D. Young, Retiring Agent General for Reparations*

THE ease with which the machinery under the Dawes Plan has been installed and the smoothness of its operation during the past six weeks is the best testimony of the existence of a new spirit determined to restore tranquility in Western Europe. In advance of any assurances of a loan, Germany has paid in the last six weeks more than \$30,000,000, most of which in one way or another has been distributed to the creditor countries.

Now that the loan is completed and the proceeds put under the control of the Agent General, practically all of the funds are in hand for the first year's operation of the Dawes Plan. At the same time, the Reichsbank will have in hand sufficient gold to cover a circulation on a forty per cent basis as large at least as the circulation of Germany before the war. The creditor countries will receive either through delivery in kind or by direct payment substantially \$250,000,000 during the coming year. The German producers will receive payment for the goods supplied at regular market prices and France and Italy and other countries dependent upon German raw materials are assured of their supplies.

In addition, the German railroads have been turned over to a private company with a foreign commissioner in control and there have been delivered for the account of the creditor countries more than two and a half billion dollars of first mortgage railway bonds which will bear 5 per cent interest and a sinking fund sufficient to amortize the principal in less than forty years. There have also been delivered \$1,250,000,000 of industrial debentures which are a first general charge on German industry and \$125,000,000 of those debentures are the obligations of individual German concerns of high standing.

The above are in addition to the payments to be made under the Plan from the German budget.

The Agent General has received not only the full cooperation of the German Minister of Finance as President of the Reichsbank but he has also received the cooperation of the French and Belgians in the occupied territories and of English and Italians in all matters affecting them. If this spirit can be maintained the Dawes Plan will work. It will work irrespective of whether it is as good as its most ardent supporters believe or as bad as its worst enemies charge. With this spirit of cooperation the worst plan will succeed, without it the best plan will fail.

Nothing could be more helpful to the restoration of confidence and hope to the discouraged people of Europe than the magnificent expression of confidence by the American people as shown in their over subscription of the German loan.—See 6, p. 71.

My work is practically completed. The Dawes Plan thus far has worked without a hitch. No doubt the Plan has defects, but they are not yet apparent. Everybody admits it to be the best plan discoverable, even with its defects. Everybody has cooperated wholeheartedly, which is the biggest asset in the whole undertaking.

Neither Germany proper, nor occupied territories, nor Allied countries, nor Reparations Commission, have encountered anything but a desire to facilitate functioning of the Plan.

I believe success of the loan everywhere was made certain because the bonds could not be better secured. That success means the basis has been laid for industrial and commercial development in Germany. By taking advantage of restored credit conditions, private enterprise can build on the basis we lay.—Extracts, see 7, p. 71.

## Permanent Agent General For Reparations Makes Report

Seymour Parker Gilbert, Jr., former Under Secretary of the U. S. Treasury, arrived in Paris to assume his duties on October 18, 1924, as Agent General for Reparations under the Dawes Plan

GERMANY'S reparations payments of goods in kind during September and October totaled approximately 170,000,000 gold marks. More than 143,000,000 of this total has been turned over to the various creditor states, the Agent General having a cash balance of 26,000,000 on hand.

Germany's cash payments under the annuities proviso specified in the London agreement total 70,000,000 gold marks. She is also credited with 29,750,000 on account of export levies assessed by Great Britain under the Reparation Recovery act, while France's shares from the same source are given as slightly over 500,000, the French levies being of comparatively recent origin.

The armies of occupation are charged with 11,000,000 while 23,000,000 was turned over to Germany's credit by France and Belgium on account of receipts emanating from the occupation of the Ruhr, the seizure of customs and the operation of Rhineland railways.

The requisitions for damages and furnishings under Rhineland agreement and other costs incurred by the mixed commissions during September and October are estimated at 26,000,000. The cost of maintaining the Agent General's office during the first two months of its existence is estimated at 200,000 gold marks.—Extracts, see 26, p. 71.

\*Appointments have been added as officially announced.

## The Glossary

Terms Defined as Used in Dawes Report

By Edmund Platt, Vice Governor, Federal Reserve Board

**THE new bank of issue:** The central bank recommended under the Dawes plan which shall have the privilege of issuing a new German currency. This bank has absorbed and will continue the operations of the old Reichsbank, the former bank of issue, and will continue to be known as the Reichsbank.

**The Rentenbank:** This is an emergency institution created in November, 1923, for the purpose of creating temporarily a stable medium of exchange; it was endowed with a compulsory mortgage on agriculture, industry and the banks, and against this security it was authorized to issue a currency known as the Rentenmark. The Dawes plan provides for its eventual liquidation.

**The Gold Discount Bank (also known as the Schacht bank):** An institution created in April, 1924, mainly through the efforts of Dr. H. Schacht, the president of the Reichsbank for the purpose of providing foreign credits to responsible firms in Germany; it extends credit only on such transactions as result when consummated in the receipt of foreign currency by the borrower who is expected to use it in the liquidation of his loan. Since the reorganization of the Reichsbank steps have been taken to liquidate the gold discount bank.

**Industrial debentures:** In accordance with the Dawes plan the German Reichstag passed a law imposing compulsory debentures upon the various German industries; each individual industrial concern thus had automatically added to its liabilities a new obligation in favor of the reparations account. The total of these debentures is 5,000,000,-000 gold marks, of which 750,000,000 have been turned over directly to the Trustee of industrial obligations provided for under the Dawes plan; of this amount the Trustee may sell 500,000,000 in the open market after having previously offered them to the individual concerns against whom they are issued; the balance of 4,500,000,000 are to be deposited with the Bank of Industrial Obligations, which in turn will give to the Trustee of Industrial Obligations its own obligations in convenient denominations to the total of 4,500,000,000 gold marks.

**Foreign Exchange:** Any instrument, bill of exchange or foreign currency or bank balance, that can be used to make payments abroad.

**Gold Reserves:** Holdings of gold bullion or coin either held in the vaults of the Reichsbank or on deposit with foreign banks as security for bank notes issued by the Reichsbank.

**Gold Movement:** The shipment of gold from one country to another.

**Gold standard or gold basis:** A country is considered to be on a gold standard when its currency is redeemable at all times at its face value in gold and when the government or the bank of issue are prepared to purchase at a fixed rate all the gold offered for sale.

**Inflation:** Excessive issue of currency or extension of credit leading to a rise in prices and a fall in the exchange value of the mark.

**The Pound Sterling** is the currency unit of Great Britain containing 113 grains of fine gold.

**The Mark** was the currency unit of Germany; it contained 5.53 grains of fine gold; the new unit of currency, the Reichsmark, has the same gold content.

**The Franc** is the currency unit of France and contains 4.48 grains of fine gold.

**Milliard:** In the Dawes and McKenna reports corresponds to a billion (1,000,000,000) in the American System of arithmetic notation.

### Value of Principal Foreign currencies (in cents)

Country	Unit	Par of exchange	Value on November 17
England	Pound	486.65	461.20
France	Franc	19.30	5.24
Belgium	Franc	19.30	4.81
Italy	Lira	19.30	4.32
Germany	Reichsmark	23.80	23.79

**First Mortgage Bond** is a security issued in return for money lent, which in case of default constitutes a first claim against the specific property against which the loan was made.

**Trade acceptance** is a draft drawn by the seller of goods on the purchaser and accepted by him through endorsement.

**Foreign bill of exchange** is a negotiable promise to pay a sum of money in foreign currency.

**Invisible exports** represent the sale of services or securities by residents of one country to those of another country. Important kinds of invisible exports are shipping services, insurance, expenditures of tourists, remittances of immigrants and foreign loans. The term is used in contrast to shipments of merchandise or gold which are visible exports.

**Revalorization of German Imperial bonds:** Holders of German government bonds are legally entitled only to the nominal value of the bonds in paper marks which have become worthless. There has been and still is considerable agitation in Germany in favor of a law making the government redeem the bonds in gold at a specified percentage of their face value.

**Domestic debt:** Obligations of a government to its own nationals. The German domestic debt at the end of August was 2,021.4 million gold marks.

**Stable currency:** A currency whose value in gold does not fluctuate widely.

**International loan:** A loan granted by the government or nationals of one or more countries to the government of another country.

**Floating a loan** is the process of selling to the public the obligations of a government or other institution which wishes to borrow money.

**Sanctions:** Right reserved by Germany's creditors to take possession of pledges given by Germany for the performance of her obligations on account of reparations.

**Index of Prosperity:** The Expert's committee provides for a fixed annual payment and a variable addition thereto dependent upon a composite index figure designed to reflect Germany's increasing capacity. The index is to be ascertained from the following six sets of representative statistics: railway traffic, population, foreign trade, consumption of tobacco, etc., budget expenditure and consumption of coal. An average of years (chiefly 1926, 1927, 1928 and 1929) is to be taken as the base, and the average of these six percentages will be taken as indicating the proportionate increase to be added to the treaty sums demanded in a given future year.

**Reich:** A term employed to designate Germany as a whole, in contrast to the constituent states which are part of Germany.

*Continued on page 68*

## How the Dawes Plan is Viewed at Home and Abroad

### A Summary of American, English, French and German Comment

*Pro*

Fred I. Kent

Vice-President, Bankers Trust Company

THE unsettlement in Europe, which is a form of disturbance of mind, has permeated all peoples. The great extension of the means of disseminating propaganda and the tremendous uses to which they have been put during this generation, particularly since the world war, by those whose ideas have been tempting but destructive, is primarily at the bottom of the trouble. If it is to be overcome, there must be general freedom from suffering and mental strain and only a peaceful Europe can bring about such a development.

Conditions in Europe must either grow better or worse. There has been an undercurrent of improvement going on for a number of years but it has been based on the hope that the Allies and Germany were working toward a final settlement of their differences. Should this hope prove to be futile, all the progress which has been made can be wiped out in a moment. On the other hand, if this hope is realized before such a happening, it will be found that the groundwork has been laid for a period of wonderful progress and such progress will partly be possible because a satisfactory settlement of European differences will remove the centers of discontent upon which false propaganda thrives. When this has been brought about, trade and commerce will again spring to life, hope will once more enter the hearts of many discouraged groups of people in all lands and we can look forward in America to another period of more rational mentality, which will be reflected in a higher class of representative lawmakers.

When conditions were nearing a crisis in Europe in the Fall and Winter of 1923, it became possible to take constructive action, which had before been prevented by political forces, because the strain upon the people had become too great for them to bear. The result was the establishment of the Committees of Experts under the Reparation Commission in order that a study might be made of the conditions existing in Germany and some method be devised that might result in the financial recovery of that country which was the first step that had to be taken in order to bring about peace in Europe.

If the plan of the committee is not put into operation, a very severe crisis can be expected in the affairs of the world unless the principles outlined are followed into some other form of effective and constructive procedure. While there may be questions in the minds of men as to how some of the detail connected with the plan may work, yet, after all, this is a minor consideration, for as progress is made under the plan weaknesses in detail can be corrected.

There is every evidence that the committee of experts arrived at its financial decisions somewhat along the following lines:

How can Germany be rebuilt economically so as to enable it to balance its budget, stabilize its currency, pay reparations and utilize its great transportation and industrial plants, together with the natural ability of its people, without destroying its proper competitive power as a nation and without weakening the ambition and spirit of its population? What potential resources has Germany that can be made available to accomplish this end and in what manner

*Con*

J. Henry Scattergood

Member of American Friends' Service Committee

IN THE Dawes report reparations are viewed from two points of view—first, the amount which Germany is going to pay in the future into a reparation account in German marks in the new German bank to the credit of the Reparation Agent; and, second, the transfer in foreign monies or in kind to other countries for reparation payments in proportion to the amounts coming to them—France 52 per cent, England 22 per cent, and so forth, under the Spa agreement. The Dawes Report thus recognizes as a fact the real economic difference between these two processes for the first time in any official document since the Armistice.

One can think of this reparation account in the German bank in German marks to the credit of the Reparation Agent as a tank, and the two processes are first the filling of the tank by the Germans and second the emptying of the tank by the Allied Reparation Agent, aided by his five international exchange experts.

Now the filling of the tank by the Germans is to be through three pipes: first, taxes or budget; second, railways; third, industry.

But the second part is the real problem, and the heart and soul of the whole reparations situation, because the drawing out from that tank must be in something else than the money that goes into it. The reparation beneficiaries do not want German marks, and under the Dawes Report the entire responsibility of the German government will cease when it has paid into the tank through these three pipes the sums mentioned and nothing more can be demanded of the German government.

That tank cannot be emptied year after year unless there is an excess of German exports over German imports. In other words, if Germany is going to have anything with which to pay reparations to other countries, she has to sell to other countries more than she buys from other countries. Yet that is exactly what has not been the case. Even before the war in actual goods she was not doing that, and only covered her adverse balance by the benefits she obtained from invisible exports most of which do not exist today; and since the war her unfavorable trade balance is much worse.

Summarizing the whole report up in headlines, we have first what the newspapers said because they wanted to say it and the people wanted to hear it—"Germany Can Pay." But the real interpretation of the Dawes Report in a headline would have to have two more words added to the above really to interpret it. Those two words are "later" and "if," so that we would have first—"Germany can Pay—Later," and secondly—"Germany Can Pay—Later—if," and the "ifs" are: first, that the world is ready to take seventy-five million dollars of this new capital of the German bank, loan Germany two hundred million dollars for working capital, and later buy five hundred million dollars of the preferred stock of her railways; then, secondly, that the occupying forces shall withdraw economically from the Ruhr and let Germany run her own machine; and thirdly, that we buy more German goods than we ever have bought in the past. The transfer tank cannot be emptied unless

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*Pro—continued*Fred I. Kent—*continued*

shall they be made use of? How can the rights of the Allies as defined under the Treaty of Versailles be protected and allow Germany the economic freedom which is essential if she is fairly to meet her internal and external obligations? How is it going to be possible to meet such portions of the problem as are contained in the unknown quantities covered by the production, trade and commerce of future years in Germany, in allied nations and throughout the world?

In order to form a foundation upon which to answer these problems, the potential producing German industrial plant was set up in terms of its actual physical condition as separated from the financial position of the German government. This German plant was found to be practically at the highest stage of efficiency as measured by present day standards. It was then ascertained that this plant, which before the war was far less efficient physically and was unable to accomplish the same production, satisfactorily worked under a huge indebtedness from which the present German plant is entirely free. This situation was taken advantage of by requiring the present plan to assume such portion of the reparations indebtedness of Germany as would put it on even terms or better with pre-war industrial Germany.

The same advantage was taken of the railroad situation and its greatly improved physical condition and part of its profits under private management are to be applied toward the payment of reparations. Then a study of budget requirements and possible taxation, on a basis which was in line with taxation as it prevails in the allied countries, was made and it was found that it was reasonable to believe that an equivalent sum to that which had been provided from the profits of transportation and industry could be obtained. The total amount so ascertained was then accepted as the probable payment which Germany could make annually on account of reparations if she paid in gold marks.

As the accent was placed more upon the principles involved than upon the actual amounts stated and as the principles are practically unassailable and the figures while reasonable, based on the findings of the commission are specifically intended to carry a certain elasticity, the plan is not only theoretically sound but thoroughly practicable.

The next step, admittedly the crucial one shows a touch of real genius and has opened the way, to accomplish the transfer of gold marks into the foreign exchanges which can be made available to the Allies, that has absolutely removed such operations from the sphere of controversy and that has also safeguarded both the Allies and Germany from the disastrous results that would almost certainly have attended any other method of transfer which might have been suggested. This method is so ingenious and so simple that it pre-supposes nothing, but instead carried forward every operation for its consideration as to advisability in amount and form of transfer to the actual time of consummation. It is conceivable that the Agent for Reparation Payments may find that he can make transfers into foreign exchange from the accumulations of gold marks to his credit in the bank in amounts which may be far in excess of those which Germany believes possible or again only in amounts that are far less than the Allies expect, but in either case, if the transactions are handled intelligently, the result will be a fair one and one that will cause the least harm to all concerned. No proper criticism could develop from any source and the actual conditions of the trade and commerce of the world can be positively met.

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*Con—continued*J. Henry Scattergood—*continued*

we buy three times as much goods from Germany as the world has been buying at any time since the war.

Where are enlarged German markets to be found?

A very careful analysis made by the Institute of Economics at Washington shows that the minimum of imports Germany has to have in order to reach her pre-war prosperity is about fourteen billion gold marks. Now of actual goods Germany has not been exporting as much as one third of that amount in her best year, since the war. The question is, therefore, where are her new markets going to come from so that she may sell at least three times as much as the rest of the world has been buying from her? Because, you see, whatever Germany sells somebody else must be buying. Now who is that somebody else? Is it ourselves in the United States? Do we want to be made the dumping ground of these abnormally large quantities of German goods even for the sake of having our friends the French and the Belgians paid their reparations, which we would very much like to have happen? Is England going to be the dumping ground? England has actually to curtail imports as much as possible in order to pay the inter-allied debt she owes to us, and also to square her budget and to keep her pound sterling from going down. Any curtailment of her imports will of course affect exports to her from Germany. So England is not likely to be one of the buyers of greatly increased German exports. France has all along followed the policy of protection, and has refused since the war to take free German labor and free German materials for the rebuilding of the devastated areas. She has refused because she could not help herself. Her business men of the present and future would suffer so much that no government adopting such a policy could stand. Likewise, the crippled nations of Austria, Poland, Hungary, and Russia are not soon going to be buying and absorbing extra German goods. Czechoslovakia seems to be the one bright spot in Central Europe that can take her pre-war quantity. So, you see, the prospects of selling Germany's increased exports are not very bright—and if she can't do it, the tank can't be emptied.

And even the filling of the tank is somewhat problematic too. If you will just think of society as you find it today in Germany you can hardly see—at least I cannot—how Germany's internal buying power can soon return to anything like it was before the war. Every bondholder of Liberty Bonds of that country, or of railway bonds or of industrial bonds, cash in bank, savings funds, life insurances, and mortgages, too—unless a special law is passed some time by Germany to put mortgages on another basis—will have lost everything, because all of these forms of wealth are absolutely worthless today. The new bank is to call in the paper money now outstanding in Germany at the rate of one trillion to one. This indirect capital levy amounting to 100 per cent taxation upon these basic forms of secured wealth has absolutely made paupers of the income receiving class except insofar as earnings may still come to them from stocks and ownership of property or land.

The head of our Quaker child-feeding work who has just returned from Germany reports that probably one fifth of the population has to have help somehow, by public or private charity, and that anyone with any surplus at all is helping to carry someone else, and that the Germans themselves are giving fifty times as much as all the foreign help put together.

Now that kind of a society cannot be likely to be a big buyer of goods. They have got to live on a small scale of

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Fred I. Kent—*continued*

The intent of the committee is clearly seen to have been one that aimed to prevent the development of friction and to provide proper protection not alone to the Allies but to Germany as well.

That a plan could have been developed to meet such a complicated situation as had arisen between the Allies and Germany is a wonderful achievement and that the representatives from the United States took such a prominent and effective part in this achievement should be a source of pride to all Americans. We can confidently look forward to this great work of our representatives going down into history as a contribution of tremendous value to the world.—*Extracts, see 18, p. 71.*

Benjamin M. Anderson, Jr.

*Economist, Chase National Bank of New York*

HERE are a good many misapprehensions regarding German exports under the Dawes Plan which an analysis of first principles and reference to some pre-war statistics ought to dispel. It is now generally recognized that reparations payments can be made over any considerable period only through the building up of an export surplus of German commodities. Credit transactions and security transactions can defer payments by goods. Balances can be settled by shipments of gold. But large recurrent annual payments through a period of years can not be made unless there is an increase of exports or a decrease of imports. Deferring this by means of credit operations means simply that the export surplus will be all the greater when it finally comes, since Germany will have to pay not merely the original amounts but also interest on the credits extended.

It is difficult to estimate the proportion of Germany's national income which will be required for reparations payments. Helfferich estimated Germany's annual net production at 40 billion gold marks for the year 1913, and her national wealth at 300 billion gold marks, the income being about 13 per cent of the national wealth. The annual income today of the German people tends to be very much lower than this, in view of the greatly reduced physical volume of production, though this is in part offset by the higher level of gold prices. The income should rise very greatly from present levels with the restoration of production, though it is to be expected, on the other hand, that the restoration of full production in Germany and in Europe at large would so greatly increase the physical volume of goods in the world as to lead to lower gold prices, so that the full increase in production would not be reflected in an equal increase in money income. The scheduled payments of 2½ billion gold marks which Germany is to make after this scheme is put fully into operation, will thus amount to 6½ per cent of her pre-war annual income, a heavy but not an impossible burden.

In the year of 1913, Germany had exports of 10,097 million gold marks and imports of 10,770 million gold marks. In earlier years, she had an adverse balance which ran to 1,735 millions. Germany was a creditor country in those days and could afford a large import of surplus. When to her import surplus of goods is added her import surplus of gold and silver, the import surplus is found to have reached 2,002 millions in 1909.

The export surplus which Germany will have to build up in the future in order to make foreign payments of 2½ billion gold marks a year is thus comparable in amount to

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J. Henry Scattergood—*continued*

consumption and the factories of Germany are likely therefore to be unable to sell to their home market even what they did before the war, and that will drive them all the more into the world market. You will very likely see Germany forced under present conditions to work almost on a slave basis of labor to keep busy at all, and she will be what we can describe as "factory poor"; that is, she will have far bigger producing capacity than she can find outlet for. That kind of society is not able to have the national income it had before the war, nor the national traffic receipts from her railways that occurred before the war, nor the national receipts from taxation. The result is, of course, that it is extremely doubtful whether post-war Germany can for a long time be equal to pre-war Germany, and uncertain whether those three pipes can fill the tank at the rates that are mentioned and in the way expected without most serious budget difficulties. However, that is nothing like as much of a jeopardy as is the emptying of the tank that depends upon the world buying from Germany three times as many goods and services as it has been buying at any time since the war.—*Extracts, see 19, p. 71.*

Article in "The New Republic"

By Beaulieu\* (*pseudonym*)

THE Dawes Plan has become a political fact; nothing which can now be said or written will affect its adoption. It is better to realize now instead of later that the plan is mainly and primarily a myth.

In so far as the plan provided a table to which the French and Germans could come to discuss their mutual difficulties, it has served a useful end. The plan does provide an initial truce. That is all to the good. It holds out hope of reparations payments. That approaches fraud. No substantial reparations can be paid under it. The French finance ministers know this, but they prefer to have their public learn the unpalatable fact from an agent under the plan or from an impartial, probably an American, arbitrator, rather than from a French cabinet.

The underlying fallacy of the plan—that its basis was "business and not politics"—ought to be squarely recognized. European affairs permit no such divorce. The British government is necessarily integrated with business; Great Britain must import raw materials, manufacture, and export manufactured products, or starve. Her foreign policy is controlled by this necessity; and her government is far too much a servant of her people not to deal with it. French business is rather less amalgamated with politics; but from time to time the two become identified—notably, for instance, in the occupation of the Ruhr.

*Transfer of Reparations.* The cardinal feature of the plan lies in the accumulation by the Agent for Reparations Payments in Germany of assets which he must, so far as possible, transfer to the Allied governments. If he cannot transfer, accumulation will stop. When the balance reaches a high figure, collections are to stop. There is reason to believe that this shut-off will commence soon after collections begin, and will remain continuously

\* The author of this article is a French engineer who has had occasion to make a close study of the Dawes Plan on behalf of an important financial group.—Editor, *The New Republic*.

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Benjamin M. Anderson, Jr.—*continued*

the import surpluses which she, as a creditor nation, received in the old days. The financial machinery of international trade was in no way strained by Germany's receipt, as a creditor country, of these large import surpluses in the days before the war. It should not be unduly strained in making transfers, only about 25 per cent greater, out of Germany when the financial and monetary machinery is rebuilt. If Germany can create within her own boundaries the surplus of 2½ billion gold marks per annum, the exchange market should be able to transfer it.

The same holds true with reference to the problem of the receipt by the outside world of the surplus German goods which this procedure involves. If German markets alone in the days before the war could absorb from the whole world a surplus of nearly two billion gold marks per annum, then it is surely not an unreasonable thing to expect that the markets of the world as a whole could readily absorb from Germany 2½ billion gold marks worth of surplus goods per annum, if these come out in the ordinary course of trade and under ordinary commercial motives.

I believe that there is an intimate and even a mathematical connection between the sums in gold marks paid over by Germans to the Allies, and the volume of surplus exports which Germany will be able to send out. I believe that there is a definite, mathematical relationship between the mark surplus created by taxation and interest payments by German industries and railroads, on the one hand, and possible export surplus, on the other hand.

The building up of a fiscal surplus through taxation means that the German people are producing more than they and their Government spend, and, consequently, more than they and their Government can consume. The diversion of part of the gross income of German industries and railways in the form of interest and amortization payments to the agent of the Allies, means that the German railways and industries are producing more than their shareholders, laborers, etc., spend, and, consequently, more than they can consume. The mere creation, therefore, inside of Germany of these surplus funds by these measures *reduces the available buying power of the German people by an equal amount*, and means that the prices of goods in Germany will tend to go below the world level of prices. Germany thus becomes an unusually good market in which to buy, and the business men of the world, looking for bargains, will give the preference to Germany.

It means, moreover, that Germany is an exceptionally poor market in which to sell, and German buyers of goods will perform restrict imports from foreign countries and the outside world will be less eager than it would otherwise be to sell to Germany. Under these circumstances, automatically the flow of goods out of Germany is increased and the flow of goods into Germany is diminished and an export surplus is built up, not going to any one country, but going all over the world to whatever countries are in particular need of the kind of goods which Germany is producing. This outflow of German goods automatically creates a demand in foreign countries for German marks with which to pay for the goods, and so creates the necessary market on which the agent of the Allies may sell marks to obtain the sterling, francs and other foreign currencies needed for reparations payments.

Other factors contribute to this movement. The receipt of sterling by the British Government or of francs by the French Government increases the income of the French

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Article in "The New Republic"—*continued*

in force; in a word, reparations will cease to be paid. There are three ways by which transfer of funds may be made from Germany to the Allied countries. Currency may be transferred. German securities may be purchased and exported. German Goods may be taken and exported.

*Transfer of Currency.* No one seriously assumes that currency can be transferred in large amounts. The banking process would consist of buying in the open market francs or sterling with the German marks accumulated by the plan agent. Francs and sterling would then appreciate violently; the German mark would drop to nothing; this would automatically stop the transfer because the accumulated balance of the plan agent would become worthless in his hands. On transfer of the foreign currency purchased, the market in France or England would be flooded with francs or sterling; appreciation in these currencies would be succeeded by depression which would undo the temporary benefit; meanwhile all business is disturbed. The margin of exchange between countries is narrow; a relatively small proportion of transfer will revolutionize an exchange market (witness, for example, the recent French stabilization loan of the Morgans); sums far less than the annual payments to be credited to the plan agent would suffice to achieve this result. We will dismiss the theory of transfer of currency.

*Purchase and Export of German Securities.* In substance this is the same as transfer of currency, but the operation is retarded. The first effect might be to enhance the price of German securities. Interest and dividends, upon all exported securities would have annually to be transferred. As to principal, it merely postpones the evil day; but while this process is being carried on, the interest and dividends remitted to France or England will reach increasing amounts until even excluding other transfers by the plan agent, they disrupt the currency markets. If such dividends were left in Germany, interest upon them would compound, leading toward a climax and smash. Within a relatively few years we duplicate the situation which would arise were currency transmitted; and we have made no great impression on the bulk of reparations.

There is a possible variation. German immovable property might be bought and held, title being transferred to the Allied countries. This is of course not a transfer of wealth but a non-transfer. If such property be subject to taxation, the Germans could defeat the program by appropriate levies. If not so taxable, each purchase subtracts a given amount from German revenues, prosperity, and ultimate ability to pay reparations. Moreover, in war private property can now be seized (The French government has the doubtful honor of having initiated this policy) the result of which is that nationals of one country who hold property in another are at the mercy of the government of such other country if war is declared. No sound foreign policy will be based on the accumulation of large holdings outside the boundaries of one's own country and particularly in a country with which relations tend to be unfriendly. Were this policy pursued it would make it to Germany's plain interest to declare war and seize all foreign property within her borders. She would have good precedent for doing this.

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**Benjamin M. Anderson, Jr.—continued**

people and their Governments in combination. The Government receiving funds from Germany may reduce the taxes of its people, enabling them to buy more; or the Government may itself spend the extra funds, again increasing, however, the aggregate demand in the French or British markets; or the Government may use the money received from Germany in paying off public debt, in which case it returns funds to the capital market available for investment and again increases the buying power of the country. In any case, there is a greater volume of income or of capital seeking investment in the receiving countries. The tendency is, therefore, for prices to rise in the receiving countries. They become good markets in which to sell and relatively less satisfactory markets in which to buy. Goods tend to flow to them from other parts of the world.

Another factor in the situation, if allowed to follow its natural course, would tend also to assure a German export surplus. If the agent of the Allies is not afraid to press the process of selling German marks in the international exchange markets, he will create a situation favorable to the export of goods. German exchange rates will go, in that case, somewhat below par. This in itself will create a situation favorable to the export of German goods, giving a further slight advantage to the German seller over foreign countries.

Four causes have thus been assigned why the payment of reparations will automatically work toward the creation of a German export surplus. They are: (1) the lower prices in Germany resulting from the accumulation of a surplus of marks through taxes and interest paid over to the agent of the Allies; (2) the higher prices in France and England due to the increased buying power of these countries as a result of the receipt by their Governments of reparations payments in sterling and francs; (3) the depression of German exchange rates due to the conversion of marks into sterling and francs to make reparations payments; and (4) the stiffer discount and interest rates which Germany must employ to protect her gold resources, which will encourage and enforce economy in Germany.

Essential to the sound working of this scheme is sound gold money in Germany which the new bank of issue is to provide and maintain. Given good money, the plan will work.—*Extracts, see 8 p. 71.*

**Chester Wright**

*Economist, American Federation of Labor*

**O**N BROAD humanitarian principles, labor welcomes the economic restoration of Europe. It reduces greatly the danger of another war in this generation. Moreover, it avoids the horror of depopulation by starvation. Europe has many millions of people that must live by exporting the product of their labor in return for food and other necessities of life. They have not been exporting enough since the beginning of the war, and they are about at the end of all devices of credit to stave off the evil day. Now they must produce and sell or perish.

The Dawes plan promises to start production, especially in Germany. England has found German lethargy worse than German competition, and if England does not fear the outcome of renewed competition from Germany there seems to be no good reason why we should. Yet when one observes that the German wage, the actual wage, is only 50 per cent of the English, and perhaps only 25 per cent of

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**Article in "The New Republic"—continued**

Another variant might be the attempt to purchase French or Allied securities with the accumulated reparations balance. But what would be used in payment? Frenchmen or Englishmen expect to be paid for their securities, not in marks but in currency of their own country, and the vicious circle of purchasing Allied currency with German currency to pay for Allied securities would bring us back to the situation suggested above in connection with the transfer of currency.

**Export of Goods.** This could be dismissed on the sole ground that the Allied governments have refused at various times and still refuse to allow it. Transfer of German manufactures to French or British markets merely means shattering domestic industries in those countries.

Transfers of funds in one of the three ways suggested or by combining all of them, will undoubtedly be made, and it may be possible to weaken the shock of direct transfers by triangular trading, i. e., operations consummated through several countries; but the amounts will be so small as not to make even an impression on the grand total of reparations. Accumulation of funds by the plan agent will be more rapid than transfer; the "shutoff" will come into play and accumulation will cease.

**Railroad Revenue.** The feature of the Dawes plan most relied upon to produce reparations is accumulated revenue from the railroads. It is difficult to take this seriously.

Germany's commercial prosperity has been largely due to an intricate and highly efficient railway system, run at low cost, for the benefit of the country. Diminish the efficiency or increase the cost, and the commercial prosperity which Mr. Dawes postulates as an essential to reparations payments, ceases to exist. Detailed administration of German railways by foreigners, is, from a technician's standpoint, grotesque; from a political standpoint, it is a standing challenge to every nationalist element in the country.

Based on the theory outlined in annex III that "a complete change in the organization of the German railroads is essential," almost any development is possible. But one cannot knock down and build up a highly intricate organization as though it were a house of cards. The Germans will have to run their own railroads, because they alone know how; and they are the most efficient railway men on the continent.

Money can be made out of railroads on long hauls; on development of new territories; and on manipulation of railway securities. The first two do not exist in Germany; there are no undeveloped lands and no long hauls. Manipulation of securities may be possible. Anything captured from Germany via railway rates or securities is simply subtracted from the commercial wealth of the country elsewhere.

With the desirability or propriety of exacting indemnity, I am not here concerned. I merely point out that whatever the plan may achieve as a way towards peace, it is a mirage regarded as a way toward reparations. There were ways in which reparations could have been paid. The Germans might have been asked to rebuild devastated areas; to construct hydroelectric plants or to improve factories and railways. The plan might have gone still further and suggested an expedient for assisting the peace and prosperity of all continental Europe, linking this with

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*Pro—continued*Chester Wright—*continued*

ours, it causes an apprehensive shiver. *Doubtless some of our industries will have to meet strong competition at home and stronger competition abroad.* However, a revived and active Europe means a better and more prosperous world on the whole, and it will be up to us to see that we get and hold our own. I think that the comeback of Europe will mean greatly increased purchases from us at first, at any rate, especially of raw materials and agricultural products. That will mean a better home market for the products of American labor.—See 16, p. 71.

Alan G. Goldsmith

*Chief, European Division, U. S. Department of Commerce*

**T**HE American business man who is doing business with Europe, and particularly with Germany, is fundamentally interested in the effect of permanent German stabilization, as brought about by the Dawes plan, on the business and industry of that country.

Naturally financial stability in Germany will bring with it increased productivity and increased competitive ability in industry. Competition will, however, be on a sound basis and not artificially stimulated by depreciating currency. German industries will carry a burden of bonded indebtedness similar to that which they carried before the war, the tax burden will be at least equivalent to that of the allied countries, and the railroads under private ownership will be run on a sound, economic basis, so as to contribute toward reparation account.

From a coal-exporting country Germany is becoming a coal-importing country, and this is seriously affecting its competing ability.

On the other hand currency stabilization in Germany will bring with it increased ability to consume foreign goods in Germany and also in the other areas affected by reparations and a revival of world trade in general, in which the United States should have its share.

On account of the depreciation a great proportion of German profits has been going into building and plant construction, and there has been a great improvement in the German industrial machine since 1919.

The German industrialist to-day finds himself with a surplus of fixed assets and a tremendous shortage of fluid working capital. Working capital will be needed not only for the stabilization of the Reich's finances but for execution of the reparation program and also for industrial operation. The new bank and the stabilization in general brought about by the effectual operation of the Dawes plan will make it possible for German industry with proper working capital to expand on a sound basis.

This greater productivity will of necessity mean larger imports of both raw materials and foodstuffs.

Experts have shown that, in order to make the Dawes plan effective, Germany must create surplus balances abroad which will make it possible to transfer into foreign currencies sums accumulated in the bank of issue for the credit of the Allies. It has been indicated that this can be carried out only by a combination of three factors—a general increase in world trade, in which Germany will have its proportionate share; a considerable increase in Germany's proportion of world business; and a conversion of the German industrial machine so that with a minimum value of imports Germany can produce a maximum value of high-grade manufactured commodities. Some conversion

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reparations through a step which many men, including myself, believe practicable and wise. This is the establishment of unified railway system throughout continental Europe based on the thesis that the railroads of each country should be operated by subsidiary units, while the technical administration of the whole should be governed by an international body, preferably by the League of Nations. Instead, the plan has emphasized the differentiation between France and Germany.

For myself, I think Great Britain stands to lose; German industry working at high efficiency and low living standards will cut into her markets. The United States will stave off the difficulty with her tariff wall. The German capitalists will become more firm; they will in time dominate the empire. France will get some trickle of reparations; the end will be rediscussion of reparations with a strong Germany, and ultimate realization of the fact that bait of payment induced acceptance of a plan which permits nothing save intermeddling in German internal affairs.—*Extracts, see 11, p. 71.*

Ernest Minor Patterson  
*University of Pennsylvania*

**F**ADED with a problem that is at present impossible of solution, and restricted by limitations in their instructions and in their authority, the Dawes and McKenna committees have presented reports that furnish no answer to the baffling reparation question.

Germany is to be given a little, but a very little, breathing space. Even during the first year there must be a payment of a billion marks, although most of this is to come from a foreign loan. Thereafter, the payments are to increase to a minimum of two and a half billions in the fifth year and later, this to be supplemented in the sixth and thereafter by an amount computed on an index of prosperity. Only experience can show whether this is too rapid a rate to expect.

But will the plan rouse the Germans to sufficient effort? Thus far everything has conspired to discourage them. Relief from economic pressure in the Ruhr and the provision for only a minimum of control will help.

But the chief obstacle remains, an obstacle which the Dawes committee was powerless to remove. The total amount of the reparation demand is still 132 billion G. M. A payment of five percent interest and one percent sinking fund on this calls for nearly eight billions per year. At the end of five years from now, the annual payment is to be only two and a half billions. The larger sum is impossible under any conceivable circumstances and perhaps even the smaller amount will be too much under existing conditions. The German government may think it wise to assent, but the German people will not long submit if such a strain as this is facing them.

Perhaps the answer will ultimately be found in an alteration of the total claim to an amount which is more possible of payment. It seems paradoxical to suggest that their finances must become still more involved before the French will be willing to take a modest amount of relief instead of the huge sums of which they have been dreaming, but such is the case. In time they may alter their views, but until they do so, openly or tacitly, the Dawes plan can produce little. Even the British public, smaller in numbers but with a larger income than the German in normal times, is chafing under the burden of remitting to the United States less than

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Alan G. Goldsmith—*continued*

in the German industrial plant has already occurred, and unquestionably German exports of both goods and services will show increases. However, the artificial advantage enjoyed in the past by the German producer will disappear under the Dawes plan. The problem of depreciating exchange which enabled the manufacturer to undersell his foreign competitor because of the slowness of the internal adjustment of labor and other factors to the newly established exchange value has been eliminated.

The volume of world trade is at present only around 80 per cent of the pre-war and the increase in consumption power of Germany, together with that of the rest of the world, will bring with it a growth in world trade in general and the possibility of an increasing quantity of German goods being placed on the markets of the world without undue hardship.

Stabilization in Germany will probably mean increase of Germany's consumption not only of American goods but of goods of other nations purchasing American commodities. Increased German consumption of Brazilian coffee and Chilean nitrates will mean growing opportunities for American exports to Latin America and will improve American business conditions in the same manner as will direct increases of German consumption of American copper, cotton and foodstuffs.

The fact that German competition is on a stable financial basis with relation to other countries, that industry is bonded as heavily as in prewar days, and that taxation in Germany will be commensurate with that prevailing in competitive countries, puts trade on an equitable footing. It seems plausible that the American exporter will be able to meet foreign competition, particularly German, without fear of artificial advantages granted his business rival.—*Extracts, see 9, p. 71.*

Allyn Abbott Young

*Former Chief, Division of Economics, American Commission  
at the Paris Peace Conference  
Professor of Economics, Harvard University*

THE Dawes plan is in no manner a compromise between divergent programs presented by Great Britain and France. It is, as contrasted with them, definite and constructive. It attempts neither to exhort nor to force Germany to put her finances in order. Instead it makes it worth her while to do so; it maps out a definite course for her to follow; it provides for substantial aid in getting her reforms under way; it guards against the recurrence of a destructive pressure on her foreign exchanges; it relies for safe-guards primarily on the control of certain specific and segregated types of revenue.

For further safeguards, not only to the interests of the powers concerned but also to the working of the plan itself, the protocol agreed upon in London on August 16 marks another step forward by its thoroughgoing insistence upon arbitration as the way out of disputes.

How much in the shape of practical effects should be expected of the Dawes plan? The plan is not a self-actuating piece of mechanism. It offers no sure and easy road to financial recovery. It merely provides an agreement upon a systematic program of continuing efforts. There are difficulties to be encountered at every step. Some are political. France has made very large concessions. There are influential groups in France who hold and will hold that her

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Ernest Minor Patterson—*continued*

\$200,000,000. Nearly ten times this sum each year is still facing the Germans as a possible burden. A reduction of the total claim, and some concession for early payments, as once proposed by Mr. Keynes, will in the course of time be necessary.

But if we assume that the Germans can in some manner be induced to undertake the task, are Germany's creditors ready to take the payments in the only form in which they can be offered—exported commodities and services? Is the world ready to have its goods carried by a German merchant marine, or finance its business with the aid of German bankers and insurance companies? Is England ready to take great quantities of toys, dyestuffs, steel, electrical equipment and fabric gloves? Are England, the United States, Italy and Belgium ready to surrender markets in Asia, Africa and South America in order to aid Germany in making payments?

But the French as well as the Germans are to face the realities. A rise in the franc upon the publication of the report is to be explained only by manipulation or by a failure of speculators to read the document. Prominent headlines alleging or implying German capacity to pay what has been demanded are deceptive, for the report makes no such claim.

Instead we read from the report that the experts were not authorized to touch the total claim, and ipso facto could not even suggest the number of annual payments. They were closely limited, but fortunately it is not hard to interpret their views. For the first year payments are to total only one billion, most of which is to be loaned to Germany. Even the fifth year will yield only two and a half billions.

These amounts, already small compared with former claims, shrink even more when the report states that "the sums denoted above in our examination of the successive years comprise all amounts for which Germany may be liable to the allied and associated Powers for the costs arising out of the war, including reparation restitution, all cost of all armies of occupation, clearing house operations to the extent of those balances which the Reparation Commission decide must legitimately remain a definite charge on the German government, commissions of control and supervision, etc."

Even payments in kind furnish no relief, for the committee accurately points out that they are as much of a burden on Germany and on the exchanges as are cash payments.

The French have no alternative. It is not a question of our sympathy for them, but of facts which they must face. Rejection of the report will avail them nothing, since force has not brought payments from Germany. Nor will acceptance relieve their budget. Some other solution of their problem must be found.—*Extracts, see 13 p. 71.*

Constant Southworth  
*Letter to the Editor of "The Nation"*

WHAT economic throes Europe may experience inside of a decade may make her chaos of the last five years fade into insignificance. Oddly enough, I make this prediction at a moment when a large international loan to Germany is achieving brilliant success, when almost everyone in every country expects a great future for the Dawes plan, and when a genuine spirit of optimism for the restoration

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concessions have been too large, and who will make of every failure in the execution of the plan an opportunity for urging a return to her former policies. Germany has embarked on an arduous task, with no end in sight. Control will become irksome, and her more extreme nationalists will find opportunities for trying to arouse and to capitalize popular discontent.

The task of paying off treaty obligations is hardly one to be undertaken with enthusiasm.

In Germany's favor there is to be counted the excellent condition of her railways and her industrial plant. Her equipment has been brought into good condition primarily for the reason that when the purchasing power of money is rapidly depreciating it is safer to exchange it for durable goods. Low wages and low construction costs were contributing factors.

One thing is certain. There will be no devastating torrents of German goods flooding the markets of the world. The recovery of German export trade will be slow; its effects will be diffused, and, save perhaps for a few special industries, even England—the country with which Germany competes most closely—will not find her own export trade subjected to any severe or sudden shock.

The effect of German monetary stability upon the trade of the United States cannot be other than beneficial. Germany has always bought from us more than we have bought from her. The withdrawal of German balances and investments in the United States, our own investments in the new German bonds, and the commercial loans and credit advances which will follow will all express themselves in a demand for goods. Some of these goods will be our own products. Some will be bought elsewhere, and it may be that we shall get rid of some of our superfluous gold in paying for them on Germany's account.

The struggle all along had been between economics and politics, and economics appears to have won a signal victory. But that victory will be fruitless if political movements in Germany or France are such as to dislodge the precarious adjustment of national policies and economic realities. Agreement, as a political policy, is on trial. If it holds through the difficulties of the first year the economic cement will harden and the new political structure will be firm. If it fails, if the precarious adjustments slip, politics will have another inning, with results that are beyond conjecture.—*Extracts, see 12, p. 71.*

Roland W. Boyden

*Former United States Delegate on the Reparation Commission*

THE Dawes report is the first authoritative statement of fundamentals in reparation history.

What Secretary Hughes suggested (in the New Haven speech in December, 1922) is what has happened. Men of the highest authority and prestige, experience and honor, have agreed upon a financial plan for working out the payments, and this plan is, and will remain, the most authoritative expression obtainable.

The essential of any reparation plan is that it shall be capable of restoring financial confidence, that confidence in Germany's financial recovery and stability which both Germany and the outside financial world lost, not at a given moment, but progressively as the effect of the old reparation system came to be fully realized. The restoration of financial confidence is the real test by which to measure the ac-

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tion of the world's economy is developing in all lands. But the reason for my prediction is simple enough. It is that the people of the world are inherently incompetent to deal with the large problems of international business organization.

Prior to the war this fact was not manifest, chiefly because no difficult problems in international commercial organization had come to the fore. For many decades there had been no first-class war to disarrange seriously the currents of trade and industry throughout the world. The delicately adjusted system of international exchange of goods prevailing in 1914 had developed more through organic growth than through the will of specific individuals. Little conscious planning took place.

Then the war of 1914 shattered that system. During the last five years the world has yearned to have it back again. But the system showed no signs of reviving by the organic process through which it first evolved. How could it? For the social organism was diseased. The poisonous emotions of nationalism and race hatred were fed by the poisonous nostrums concocted at Versailles, St. Germain, and Trianon.

So the world decided to try to think out its problem rationally. A group of business men, with some trained economists as assessors, was assembled from various countries. Let us try to put ourselves for a moment in their position as they assembled.

They saw most of the people in the Allied countries and the United States convinced that Germany needed only the will to make large reparation payments. They saw certain Germans, like Dr. Schacht, pathetically eager to make the limit of concession to the Allies in order that the existing impasse might end. So the pressure on them to fix fairly large reparation amounts was strong. But they also saw the fundamental economic blindness of the world. They saw that the Allied countries, while continuing to shout, "Pay us!" would never make it possible for the German goods which would constitute the payments to get inside their borders. And more than that—and it is a serious charge to have to make—they undoubtedly saw that the German Government could not hope to raise in taxes anything but trifling sums over and above its expenditures on German domestic economy.

In essence then, their problem was this: "Shall we, for the sake of order in the immediate future, gamble on the ultimate future? That is, shall we, knowing full well that Germany cannot pay, fix on compromise reparation sums in order to get international economic recovery started, hoping against hope that the process of trying to pay will educate the world to the fact that payment by its very nature is impossible? Or shall we confess candidly that we believe Germany cannot pay and announce that we can do nothing until the world seems a little more intelligent?" They chose the first course. Their philosophy was that the world would learn from this huge scale experiment that large international payments cannot be made unless the receiving countries are willing to modify considerably their own industrial systems. To this end they provided that instead of Germany having to furnish the currencies of her treaty creditors as best she could mobilize and deliver them, as heretofore, the Western governments themselves should shoulder this task, through a Transfer Committee responsible for getting the payments across Germany's borders.

If the German Government itself were likely to have a surplus available for reparation purposes, the scheme might

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Roland W. Boyden—*continued*

complishment of the Dawes Committee and the ring of sincerity which pervades its report is no small part of the Committee's accomplishment.

The presence of Owen Young and General Dawes upon the Committee—though citizens of an "Associated Power"—adds great weight to its conclusions. It would be a mistake to attribute the Committee's success wholly to them, but it is an equal mistake not to realize that it would be impossible without them.

Under the Committee's plan, the restoration of confidence depends upon two provisions. They are new, a complete departure from the old system. They are basic. They take nothing from the Allies which it was possible for them to get; they take nothing from Germany which she ought not to pay as a result of the arbitrage of war; yet they leave hope and incentive to Germany and to every German a chance for a place in the sun.

These two provisions are the real guarantees of confidence, and so the real guarantees of the plan's success. They may be summarized as follows:

First, Germany's payments are all to be in German money. They are to be limited to Germany's taxable capacity. Germany is to be taxed at least as high as the other countries but she need not fear that extreme taxation which means financial ruin.

Second, and more important, transfer of her payments into foreign currency is limited to such amounts as can be transferred without disturbing seriously the stability of Germany's new currency; that is, without causing serious fluctuation in the rate of exchange.

If the guaranteeing principles, which are the foundation stones of the Dawes report, are accepted, the long reign of terror will be ended. Exchange will be stabilized; the budget can be balanced; taxes, while high, will not be destructive. These are the conditions of sound finance, under which private citizens may work and save and prosper, under which foreign credit for commercial transactions may be obtained under pre-war conditions, under which foreign trade can flourish, under which reparations can be paid. The debt may remain as it is, but the impossible part of it, whether large or small, will not threaten either the state or the private citizen.—*Extracts, see 14, p. 71.*

Willis H. Booth

President, International Chamber of Commerce

A SETTLEMENT of the Reparations Problem will bring one very important result which will profoundly affect the prosperity of America and which will be felt by every American who has to work for a living, whether he be a manufacturer, a merchant, a farmer or simply a wage earner. It will mean that it will be possible for us to buy and sell freely once more in Europe.

The acceptance of the Dawes plan means that German currencies as well as the currencies of almost all other European countries will be stabilized on a gold value basis. This does not mean on a parity with gold, a phrase which is very often misused. It simply means that we will be able to measure these European currencies in terms of gold and will know exactly what we have to pay for goods and what we should sell them for. When we get to that point it should be an easy road to the time when we will once more have a substantial favorable balance in our foreign trade.

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succeed. The Allies would have only themselves to blame for their failure to be paid, and in a few years would presumably offer handsomely and generously to cancel the German reparation debt. However, responsible members of the committee were aware that the chances of a German surplus of receipts were negligible in fact, however much could be demonstrated on paper. And yet they brought forth a plan which makes possible the sale, sooner or later, of billions of dollars of new German securities to the credulous citizens of the western world! I have heard this plan referred to as a stock promotion scheme which if it were on a smaller scale and operated by private individuals, would land its originators in the penitentiary. It might be well to have an international blue-sky law against Dawes plans and similar international get-rich-quick schemes.

If we are right—those of us who are convinced that the Transfer Committee will never have any money to transfer—the problem becomes: What will the Allies and the United States do when their widows and orphans find their German bonds worthless? Granted that at the present time Britain, and to a certain extent the United States and France, are tolerant toward Germany, what will they be when the mails are full of letters asking that Germany be forced to make good her bonds? Our own action toward small Latin-American countries that have occasionally defaulted on loans suggests that we shall demand an official receivership. Why not an Allied-American financial occupation of Germany? "We will administer the German finances until we have put them into sound condition. Then we shall withdraw." The old story. The trouble will be, of course, that any interference with Germany's international affairs, beyond the already drastic participation contemplated by the Dawes Plan, will instantly cause political trouble in Germany, followed by economic breakdown and a more bitter disillusionment than even the past five years have witnessed. The reaction on the rest of Europe would be bitter enough too. Unleavened hopelessness would logically be Europe's portion until an entirely new generation should come to manage her affairs.

And so the Dawes Plan contemplates a fearful gamble with Europe's fortunes. In effect, if it is fully carried out, it converts a rather shadowy inter-government obligation into bonds for which private citizens the world over will have paid out their savings. If Mr. Dawes et al. win, they will have contributed greatly to solve the greatest problem of the day. If they lose, they will have their proximate stability at the cost of ultimate disruption. Europe will be plunged into a darkness compared with which the present degree of light over there is dazzling.—*Extracts, see 15, p. 71.*

Hartley Withers

Editor, Financial Supplement, Saturday Review (London)

WHEN the Dawes Report appeared it was generally hailed as a statesmanlike attempt to solve the problem of the German reparations. It gave everybody a chance of saying that he had been right, as proved by the evidence of impartial and highly competent experts. Those who thought that France had made a mistake in her Ruhr policy could find support in the report for the contention that Germany could not attempt to begin to pay until the Ruhr had been economically freed. Those who believed that Germany could pay much more than she, or her friends in other countries, were ready to admit, were

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*Pro—continued*Willis H. Booth—*continued*

There is no justification whatever for the fear that the rehabilitation of industry in Germany will mean that that country will cut largely into the trade of her neighbors because of low production costs and high industrial organization. The fact is that a country will always do all the business it can on a competitive basis when trade conditions are normal. Besides there are special conditions in regard to Germany which will have a profound effect. The one great thing which the German workman obtained from the war has been the eight-hour day and he will maintain this under all circumstances. With Germany on a gold basis and her workmen on an eight-hour day her production costs will be much the same as in any other country. Apart from this there will be a charge upon German industry under the Dawes plan for payment of reparations and taxes will be substantially increased to support the government. These factors will not permit her to manufacture commodities for export at a unit cost much lower than that of any of her competitors. When there was a wild rush to transfer German wealth into foreign balances we had visible evidence of dumping, but when German currency is stabilized there will be no such desire to ship wealth out of the country and German manufacturers will not be willing to sell goods for less than a profitable price. The fear of dumping is largely a delusion.

Every one recognizes that this plan, now fully accepted is directed at the disorder that since the war has prevented the restoration of normal living conditions to millions of people. This fact we always should keep distinctly in mind. This is all a step in the direction of the rehabilitation of Europe, which must be achieved in the interest of the people of the world, in our own not least.

Now that the plan has been adopted, and the details of its initiation have been formulated, even to schedules of dates, rapid progress is being made. Already there has been some military evacuation of occupied territory, and other important steps have been taken to fulfill the program of restoration of Germany's fiscal and economic unity.

So far as the Pacific coast is concerned, the acceptance of the Dawes plan is the most important thing since the armistice. The feeling of confidence which has been given to Europe has already affected the business of petroleum, copper, cotton, and particularly on the Pacific coast, canned and dried fruit and canned fish. It has probably done more for petroleum than for any other single industry, and it will greatly affect the present problem of overproduction.

While in California a few weeks ago some of my friends in the dried fruit business, told me that nothing ever had done California so much good as the acceptance of the Dawes plan. Some 75 per cent of all the dried fruits raised in California should be marketed in Europe, though in the last two or three years they had no market whatsoever. But we have now sold not only all of the carry-over which California had, but all of the crop which is to be dried this year, and even then California will not be able to supply the demand.

Beyond all this it has reconciled Europe to the fact that a way has been developed of non-political character, which is generally acceptable to the entire United States, whereby we can throw our influence along economic lines to restore economic order. It also has brought into strong relief, particularly in Europe, that Europe's distress has been the result of over emphasis of political relationship when in fact the basic trouble was one of business economics.

*Con—continued*Hartley Withers—*continued*

gratified by the apparent conclusion of the Dawes committee that she could, after the necessary interval for pulling herself together, pay £125,000,000 a year, and more if an index number of prosperity gave satisfactory evidences of progress.

But this apparent conclusion was not in the report at all. It only said that £125,000,000 a year could be collected in Germany in marks, and was careful to add that the number of these marks that could be converted into foreign currencies was a matter which could only be shown by experience. Until these marks have been so converted Germany's creditors will not have been paid. So that the real problem that we all wanted the Dawes Committee to solve was evaded. It told us not what Germany could pay her creditors, but how many marks a year could be collected, for them to convert, if they could, into their own currencies. And this evasion of the core of the problem, seems to have been largely unnoticed by the general public in the creditor countries, which assumes that it is going to receive what the Dawes Report tells it can be collected.

The conversion of marks into foreign currencies can only be carried out if Germany can create the necessary balance of trade by the sale abroad of goods and services in excess of the value of foreign goods and services that she has to buy; and the arrangements proposed under the Dawes Plan by no means encourage her to do so. By these arrangements, the marks collected in Germany are to be put into a bank to the credit of a transfer committee (composed of experts named by the creditor countries) which is to convert them into foreign currencies "to the extent to which in the judgment of the committee, the foreign-exchange market will permit, without threatening the stability of the German currency." If the collected marks cannot be so transferred, they are to be accumulated in Germany up to five milliards of gold marks (£250,000,000); when that point has been reached, "the payment for treaty charges shall be reduced to such an amount" as can be transferred, without additional accumulations, and the taxes payable by the Germans, to meet the treaty charges, will naturally be reduced likewise.

It will thus be to the interest of every German taxpayer that it shall be as difficult as possible for the transfer committee to make remittances without upsetting the exchange value of the mark. To secure that end, it will be to his interest that the trade balance in favor of Germany shall be as small as possible; and so his interest will prompt him to sell as little as possible abroad and buy as much as possible abroad—to consume foreign goods, invest his savings abroad, take his holidays abroad and do everything that he can to turn the exchanges against Germany, so that the transfer committee may not be able to remit, and his taxes will consequently be reduced.

In these circumstances it seems to be somewhat optimistic to expect that Germany will, in defiance of the interest of every taxpayer, provide the necessary surplus, unless means can be devised to induce her to do so; and the very awkward question arises, whether the transfer committee's inability to convert marks into foreign currencies will constitute "default" on the part of Germany.

—Extracts, see 3, p. 71.

*Continued on page 68*

**Pro—continued**

Henry Bell

*General Manager, Lloyds Bank, Ltd., London**Mr. Bell was appointed a member of the Transfer Committee set up under the Dawes Plan, on October 10, 1924*

**I**T HAS been my duty to study the Dawes report very closely, and I have no doubt that its recommendations should be carried out. It will create difficulties, but these will be temporary, and readjustments will act both ways.

Throughout the Dawes report there is no implication that a better financially ordered Germany would be a menace. The definite pronouncement is strongly otherwise. If Germany can, as result of financial assistance, make and sell her goods, she must buy from others, and the more she sells, the more she must buy.

Germany has to pay great sums. The total is still nominally about \$33,000,000,000. That is beyond her capacity. It must one day be adjusted at some possible lower figure. But the first program of payment has been accepted by Germany and an elaborate system of controls established. These are six.

There is to be an agent for reparations payments, a trustee for railway and industrial bonds, a commissioner for railways, a commissioner for the bank, a commissioner for controlled revenues and a transfer committee. "Currency stability," the Dawes committee states, "can only be maintained if the budget is normally balanced; the budget can only be balanced if a stable currency exists." To help in this, a bank of issue with capital of \$100,000,000 is to have practically exclusive privilege for 50 years to issue notes on a basis stable in relation to gold, free of government control.

From three sources Germany has to make payments—ordinary budget, railway bonds and transport tax, and from industrial debentures. As Germany is less heavily taxed than her creditors, budget receipts must be increased; as railway tariffs are uneconomically low, they must be increased; as industrial concerns have been enabled to repay mortgages and debentures at nominal values, they must contribute their just proportion of reparations commitments.

To assist Germany in making payments, the world is to lend Germany \$200,000,000. Of the security of the loan there appears to be, in all human probability, no doubt. There is so much 'behind' it that the bonds, at suitable terms, should be a very safe investment.

It is the latest and greatest effort to rebuild prosperity, not only for Germany but, it is hoped, for the world.

There is a new spirit of confidence and hope in Europe. The people in Europe have come to realize the necessity of steady and diligent work, having learned that there is no virtue in political panaceas and no profit in vengeance. This new atmosphere is a distinct sign of promise.

More definite and effective is the progress toward putting Europe's financial house in order, thereby giving scope for the energies of Europe's people, long checked by unbalanced budgets, disordered currencies, tariff squabbles, etc. The outstanding item is of course the Dawes plan. Given the readjustment it promises, following the aid given to Austria and Hungary, it means harnessing up again much of the Continent in the world's work.

The German loan is deservedly a sweeping success in Europe as well as in America thanks to its own exceptional quality and strength of security as well as its purposes. A noteworthy phase has been the unprecedented way in which

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**Con—continued**

J. M. Keynes

*Professor, Cambridge University, England**Editor, The Economic Journal*

**T**HE phrase "Dawes Scheme" has become an incantation inscribed on a closed sphere. The diplomatic solution has depended on a tacit agreement not to look inside or to ask irreverent questions. Almost everyone has connived at this, because no one could propose any alternative next step for the diplomats. But those who believe that the Dawes Scheme is workable or settles the problem are certainly deceived.

The arguments in favour of accepting the Dawes Scheme as the next step were, and are, two: first, that under cover of it the French may leave the Ruhr; second, that an attempt has been made by its authors so to contrive that, as time goes on, it will itself furnish the demonstration of its own impracticability. But this is far from ridding us of the disease of Reparations. It gives us a short breathing space; that is all. For, as a concession to diplomatic difficulties, the Dawes Committee have embodied in their scheme, two fatal faults.

In the first place, they do not, inspite of the loan, allow Germany the respite which she needs. Germany's economic weakness is now attributable almost wholly to one single cause,—the exhaustion of her liquid and circulating capital. The course of events during and since the war has reduced this factor of production to a level below what is necessary for efficiency by—at a guess—something like £500,000,000. It is impossible that this shortage should be made good mainly by foreign credits. The outside world might furnish up to (say) a quarter of it, over a period of time, at usurious rates of interest,—that is to say, with an expectation of from 10 to 20 per cent per annum, the payment of which would be a heavy burden. Foreigners will not invest large sums in Germany at normal rates of interest so long as the Dawes Scheme hangs over her. For the most part, therefore, the shortage cannot be made good in any other way than by Germany's own annual savings being allowed to accumulate at compound interest for a certain period. But this is not compatible with arrangements for skinning her annually. The Dawes experts might have given more attention to making provision for the replenishment of Germany's working capital. Many Englishmen fear that the Dawes plan will injure British industry, because, under it, Germany, subjected to the compulsion of foreign task-masters in effective charge of the economic system of the country, will deluge our markets with the fruits of sweated and semi-slave labour. In short, they assume that the plan will work. Let them have no such fears. The plan will not work in its entirety; and that part of it which will be operative for a time may actually hinder the recovery by Germany of her full competitive strength. In saying this I do not dissent from the view that a Germany over-stimulated by force to produce exports competitive with ours, in conditions which our working classes would not tolerate, is injurious to our interests. On the other hand, I do not believe that the restoration of normal prosperity to Germany will be to our disadvantage.

In the second place, the Dawes plan pretends to erect a system which is not compatible with civilization or with human nature. It sets up foreign control over the Banking, the Transport, and the Fiscal Systems of Germany, the object of which will be to extract from the German

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*Pro—continued*Henry Bell—*continued*

all the banks of England, for example, co-operated in assuring the success of the flotation in Great Britain. For the first time, the Bank of England joined forces with the other British banks in heading the joint prospectus for the loan.

Naturally in England as in other countries there has been some misgiving as to the practical wisdom of thus helping a potential competitor in world markets. A restored Germany may cut into British or others' sales of goods. But this is a short-sighted view, quite ignoring the fundamental fact,—always recognized by free-trade England in dealings with the rest of the world—that sellers must also be buyers, and that an economically revived Germany is bound to be a big customer in many lines. Germany must retake her place in the economic family of nations.

The general view of British finance and business is that after such international readjustments, the world will get back to old-fashioned, correct and more nearly normal ways. We will work out of our depression, and our unemployed will get back to work.

What the world needs today is work—and peace. These it has strong hopes and good prospects of realizing; and that realization should spell world prosperity.—*Extracts, see 1 p. 71.*

H. N. Brailsford

*Editor, The New Leader, Official Organ, Independent Labour Party*

THE Dawes Report both in this country and in Germany, has become a veritable asses' bridge. In both countries it is the Extreme Right and the Extreme Left which cannot cross it. Between Ludendorff and the German Communists there is, painful though the fact may be to both, some common ground. Both are preparing for the "inevitable" smash, and both are looking for the day of wrath, and a new settlement of old accounts. To both a scheme which promises peace and a measure of prosperity is necessarily unwelcome. It is spoiling the prospects of the war of revenge and the revolution of despair.

The denunciations of the Report seem to spring from a comprehensive misunderstanding. Whatever may be urged against it does not worsen the position; on the balance, it vastly improves it. One might suppose from these resolutions that this sinister scheme had suddenly been launched by the malice of a group of bankers upon a kindly and idyllic world.

Europe was not precisely a Garden of Eden before the bankers glided into it. M. Poincare was its master. The French Army was not only in the Ruhr, but it seemed to be settled there for all time. The greater part of the case against the Dawes Report is simply the old case against and levying of reparations.

The merit of the Dawes Report is that in a very subtle and ingenious way it has begun, if not to revise the Versailles Treaty, at least to modify its working. It has provided a businesslike solution of a problem which would soon have destroyed us all, if the settlement had been left to the sword.

To begin with, it restores Germany's currency, and promises to balance her Budget. The insane inflation was a mischief which plagued especially the workers and the professional class. It gave the industrialists at each fall of the mark a temporary advantage over their British com-

*Continued on page 67*

*Con—continued*J. M. Keynes—*continued*

people the last drop of sweat. In such circumstances every patriotic and public-spirited German will feel it to be his duty and preoccupation, henceforward, to do everything he can to bring this system to confusion and to an end. And if, by a miracle, the system were to work, it would not be long before most Englishmen, for various reasons, would desire the same thing.

No reparations will ever be obtained from Germany except such moderate sums, well within her powers, as she will voluntarily pay. The Dawes Scheme pretends to attempt more than this. Therefore it will fail. But I venture to think that the foreign controls and the elaborate machinery of the Scheme have not been contrived by its authors in a spirit of oppression, but for the purposes of perfecting the demonstration, when the breakdown comes, that every possible precaution had been taken, and that the breakdown was, therefore, due to nothing else but the inherent impossibility of the task which had been set.—*Extracts, see 2, p. 71.*

Edo Fimmen

*Secretary of the Seaman's Section of the International Transportation Workers Federation*

NOBODY who reads the Experts' Report without any preconceived ideas can avoid the impression that its essential clauses are inspired by the fear of German competition. There can be no other explanation of conditions which will reduce Germany to a state of absolute dependence for many decades; and there can be no other explanation of the fact that the Report omits to fix a date when the annual payments are to cease.

The recommendations as to taxation take no account of the reduced capacity for taxation of the working and middle classes which has been a consequence of the currency depreciation; and neither do they allow for the increase of this capacity for taxation among the possessing classes.

But these are not the only facts which justify our point of view. It finds even more justification in the premises upon which, for example, the estimate of the profit-making capacity of the two railway experts about railwaymen's wages to an average of 93 per cent of the pre-war rates as "eminently reasonable" and also regard it as final.

If we consider that the cost of living is from 60 per cent to 70 per cent higher than it was before the war, it can only mean that the experts regard as normal a real wage which is only a fraction over half what real wages were before the war. And as experience has abundantly proved that the fact that railwaymen live scattered more or less over the whole area of a country has a very powerful influence over the general level of wages, the implication is that real wages of 60 per cent to 70 per cent of those usual before the war are regarded as the normal and proper wages for Germany.

Of late years manufacturers in all countries have pointed out and complained on many occasions of the dumping of German goods, manufactured on the basis of starvation wages. The Experts had an opportunity to sow the seeds of a new policy in this respect but instead of doing so they have based their reparations proposals on wages very much lower than a reasonable standard of living requires.

Not only the German proletariat, but the whole international working class, has good reason to regard this part of the Experts' Report with considerable uneasiness; for

*Continued on page 67*

*Pro—continued*

**Edouard Herriot**  
*French Prime Minister*

YOU may accept or reject the Dawes plan; you may prefer to it solutions of a political order and in the nature of constraint. But, if you accept the Dawes plan and that loan of 800 million gold marks on which it is based, you cannot refuse to lend yourselves to those systems of cooperation which the Experts declare to be indispensable. To speak otherwise would be to deceive and that I refuse to do. \* \* \* In countries that the war united, peace has brought about a divergence of interests and doctrines. If these divergencies had not been finally reconciled in London, they would have become accentuated so quickly that the effort of rapprochement might have become impossible. \* \* \* On July 26 the London Conference was at a deadlock and its failure did not seem impossible. We have the right to affirm and not one of our allies, I am sure, will contest this, that it was France that solved the difficulty that had almost wrecked the Conference, by proposing as a solution of all the problems the application of the principle of arbitration \* \* \*. We only emphasized this on July 31 when, in examining the different tasks of the commission, we realized that, in order to get out of the complication in which we had become involved, a vigorous appeal to principles was necessary. You will have to judge us for having acted thus. It seemed to us that, in making such a proposal in the name of France, we were faithful to the solemn declarations of war, to the promises given to our soldiers, to the solemn promise made by the allies to establish a new right. We have kept the promise of France. It is for you to say whether we were right or not. \* \* \*

There is no doubt that the introduction of arbitration in case of Germany's failure to pay reparations modifies and restricts the powers of the Reparations Commission as they have hitherto been defined \* \* \*. The Government is convinced that the modification adopted is favorable to the interests of France since the form of arbitration that has been obtained can only operate not only on the demand of a minority objecting to a declaration of default, but on the demand of a minority protesting against a non-declaration of default. It would require a great deal of optimism to think that France would be able to obtain in the future votes of a majority like that which allowed her to enter the Ruhr \* \* \*. Remember that the further we get away from war, and we are only on the eve of the long period of application of the Dawes plan, the spirit of war will disappear. The nations, in the grip of internal problems, will hesitate to incur external responsibilities. France is the principal country interested in the payment of reparations. She only asks justice. A nation like ours which has always preferred the solutions of right to the solutions of force can only gain by seeing her titles protected, if necessary, by impartial and independent arbitration.

The results obtained relative to the question of deliveries in kind by the adoption of Clause 2 are considerable: the extension beyond the obligations foreseen by the Treaty of Versailles of advantages relative to the furnishing of coal, coke and dyestuffs; the abolition of restrictions established by the treaty; the engagement made by Germany to oppose any measure tending to make impossible the obtaining of deliveries in kind in commercial concessions; arbitration in case of discrimination or of obstruction; and, finally, in case of an affirmative decision of the arbitrator, obligation on the part of the German Government to ensure deliveries.

*Continued on page 67*

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**Raymond Poincaré**  
*Former French Prime Minister*

AS THE Senate has been unanimous for two and a half years in approving and upholding my foreign policy I wish to declare publicly that I do not believe in the possibility of a change. I believe that my successors will certainly continue in the path mapped out by you and me (the Senate) together and if we are at last approaching our goal, this is not the effect of a magical transformation. It is because the occupation of the Ruhr and the expert solution that it has made possible will have paved the way for the new arrangements of tomorrow.

The conclusions of the Experts were certainly not beyond reproach in our eyes. We hoped for better ones up to the very last. The American experts seemed to agree with the French experts that the figures should be higher, but at the last moment the English experts, influenced by German objections, asked for and obtained certain reductions. The programme was from our viewpoint a minimum to which we agreed in a spirit of conciliation.

With regard to the approaching conference in London, M. Poincaré declared that two conditions were indispensable. The first condition is that we do not renounce lightly and prematurely the means of restraint we have in our hands and which may become necessary again tomorrow. The second is that Germany be not favored above us, but that her lot be the same as ours and that of the other allies. \* \* \* The allies told us we must accept the Report of the Experts in its entirety or reject it entirely. We accepted it. \* \* \* Very well then, I demand that Germany be not better treated than the allies, that she be made to reply "yes" or "no," and that she be not allowed to gain any new advantage from an evasive or hesitating reply. \* \* \* Besides, Germany must begin by passing the necessary legislation for the execution of the plan, and, moreover, she must begin to put the plan into execution.

When Great Britain did not enter the Ruhr she was entirely within her rights. \* \* \* I have always thought, said and written that concerted action was preferable, whenever possible, to isolated action. But, when agreement on concerted action is not possible we must at least preserve our right to act alone. Therefore, on no account let us touch the treaty; let us on no account give up our liberty of action. \* \* \*

On the pretext of protecting the interests of the capitalists who are to lend money to Germany two new combinations have been thought out. In the event of default, the American observer would be invited to vote, and should the United States object, the Reparation Commission would be asked to add to its numbers the Agent in Charge of the Payments, also an American citizen. I need not say that we have no fear that the Americans will make use of these supplementary formalities against us, and that we have full and absolute confidence in their impartiality. But it is singular to see such precautions taken against us. \* \* \* We are giving up here a right that is ours in virtue of the treaty. In case of default on the part of Germany another suggestion that the governments interested should unite in taking measures for their protection would mean absolute obligation on the part of France never to take even economic or financial guarantees or sanctions without the formal consent of the other allies. It would mean our definite subordination to the will of others. \* \* \* The Reparation Commission has the sole right to interpret its decisions. \* \* \* Should

*Continued on page 67*

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Gustav Stresemann

Minister for Foreign Affairs of Germany

THE dominant thought of the Experts' Conference may briefly be stated as follows: the world cannot disregard Germany's ruin. I do not believe that foreign politics are influenced by love, interest or sympathy. They are the result of the general economic needs of the world; to refuse to consider and fulfill these needs would be a serious mistake and the best proof of dilettantism.

On the question of the meeting of the Conference of Experts, I have gone upon the basis that the great importance of this meeting of Experts lay in the fact that here was no European Conference. It was no longer the Allies against us. In effect the United States, if I may put it thus, was cut out for the role of impartial go-between in European dealings. They are too rich to have any interest in weakening Germany. They are far away enough to judge matters clearly. I concede equally to them and to all the men who collaborated in the Experts' report, an absolute disinterestedness, an honest desire to arrive at a fair solution. In the Versailles days not a soul took the point of view that the German payments to the Allies must be drawn only from the surplus obtained by Germany. At that time we were deprived of our substance, our machinery. There is a great difference between the cession of our merchant fleet and the institution of the administration which is contemplated in this report for our railways. The Agrarian League of the Reich is not among those who approve of the Experts' report in any case. It rejects it because it considers it impossible of acceptance. At the head of its declaration it has, however, placed two sentences which I hope have received the attention which they deserve, for they express the truth in a brutal form. "The Agrarian League of the Reich recognizes that Germany is at present disarmed and that all the strength lies on the side of the Allies. The Agrarian League of the Reich therefore draws the conclusion that Germany must pay to the victor war contributions up to the limit of her capacity. From this situation there is no escape."

Among the worst lies which we have had to put up with is the assertion that Germany can pay, but will not. It has been said that we intended to evade all our obligations. This lie served, however, primarily to excuse M. Poincaré in the eyes of the world for the occupation of the Ruhr. He declared in fact that he had to occupy the Ruhr because a people who could pay would not pay. And if it is now expressly stated that this people cannot pay at present, and that it is right to defend its currency, the moral basis of the occupation of the Ruhr is thereby destroyed.

The question of maintaining the occupation of the Ruhr is, when all is said and done, the most important question connected with these problems.

There is one point on which I am entirely in agreement with the critics who have attacked the Report, and that is that the Experts have greatly over-estimated Germany's capacity for payment in the year 1928. If it is possible nevertheless to declare myself in agreement with the Experts' Report, it is because the provision for transferring the German payments abroad provides to some extent a means remedying the consequences of this overestimate of Germany's capacity to pay.

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*Con—continued*

Karl Helfferich

Late Member of the Reichstag, former Minister of Finance, and former Vice-Chancellor, Germany

ACCORDING to the Report of the Dawes Committee of Experts Germany is able to pay, within the next five years, not less than 2,500 million gold marks yearly. In the following years the annual payments grow, with expanding German wealth, to still higher amounts, the addition being computed by means of a complicated system of index numbers of prosperity.

These yearly payments, it is true, are somewhat below the original amounts fixed by the London Ultimatum, but even the 2½ milliard gold marks that form the basis of the payments to be made from 1928-29 onward as well as the annual payments to be made up to that time in accordance with a partial "moratorium," go far beyond all Germany will be able to pay even in the event of the most sanguine hopes of economic recovery being realized.

It would be absurd to suppose that a mutilated and impaired Germany will be able to bear the fourfold and more of this burden.

It is utterly impossible for Germany to make the yearly payments asked by the Committee of Experts. If, nevertheless, they are accepted by a German Government as binding obligations, I am prepared to assert that the German nation will have to reckon, from the very day the execution of the Experts' programme is begun, with the legal consequences proposed by the Experts in the event of failure by Germany to meet the new schedule of payments.

The inadequate reduction in the annual amount of reparation payments—compared with the original London schedule—is to be purchased by Germany's economic independence and state sovereignty being restricted far beyond the most exacting demands of the Versailles Treaty or the London Ultimatum. The German railways and the management of German currency and credit are to be placed under the control of her reparation creditors; indeed, provision is made for a decisive influence of these creditors on all questions touching these vital aspects of Germany's national economy.

The railways of the Reich have not only to bring in 6 per cent on the 11 milliard gold marks of bonds deliverable to the Reparations Commission, but have to pay, in addition, 290 million gold marks annually direct to the Reparation Commission as "Tax on the traffic." This burden of 950 million gold marks yearly is considerably more than the whole of the net income of the German railways in the best pre-war years.

Even if, in obedience to the demand of the Experts, the "old tradition," according to which the German railways were managed primarily for the benefit of the public, is wholly thrown overboard, I see no possibility of realising in the near future, on the part of the administration of the German railways, an amount equal to the burdens laid upon them, even if the railway officials and workmen are replaced by Chinese coolies.

If, therefore, the proposals of the Committee are accepted, it will not be long before the reparation creditors, acting by virtue of a title given into their hands by Germany, will be able to impose on the whole of the German railways the same regime as France and Belgium imposed on the railways of the occupied territories. In fact, Germany will become freed from the Franco-Belgium

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*Pro—continued***Gustav Stresemann—continued**

In this report there was undeniably a real attempt to find new solutions away from the beaten track hitherto followed in the attempt to solve reparation problems, solutions which had not before been open to us and which grant two things: first, the right of France to payment, and secondly, a restriction of Germany's obligations (Protests from the National Socialists). You reject all war indemnities. I can do nothing on such a basis. In the question of responsibility we are fighting for our moral rights. Even if we were not responsible, we lost the war; and this fact we cannot unfortunately neglect. We must consequently draw from it the obvious conclusions. In Hanover I attacked the lie about the responsibility for the war. But I have never been so mad as to suppose that by settling this question one could settle at the same time the question of the costs of the war. There is one thing which nobody can deny, and that is that in the Report there is a break with a system which has been the cause of our misfortunes, which brought about the inflation with all its consequences: this system consisted of draining Germany of her substance without any scruples. It has been in application up to the present, and if now, in accordance with the Experts' Report, German payments in kind to the Allies, and the transfers of gold and foreign currency to the Allies are to be made only if they do not imperil the German currency and are taken from the surplus of German economy, the system which has been inflicted on us hitherto is at an end.

The king-pin of the report, on which its execution essentially depends, is the materialization of the international loan of 800 million gold marks, which is to cover the greater part of the German payments during the first year. These 800 million gold marks will go into the reserves of the German Gold Note Bank, which will thus be able to issue notes representing three times this sum. If you consider the present position of agriculture and economy and if you refuse to allow a foreign stream to flow into this completely dried up bed, we shall all be involved in the ruin of German economy. It is therefore impossible to represent things as they have so often been represented: as the subjecting of Germany to the tutelage of international capital.

I wish to insist on one point. In the Autumn of 1923, we had in the Rhineland an extremely serious situation, which represented a great obstacle to the maintenance of the unity of the Reich. To begin with, there were the efforts of the Rhineland to free itself economically from Germany. This economic autonomy would perhaps have been followed by other autonomist efforts. Today these tendencies have calmed down, they have been dispersed because everyone hopes for the realization of this agreement. If, however, this hope were disappointed the most serious consequences might be feared in Germany.

In view of the provisions of the Report, which without any doubt represents an improvement on the present situation, there are other arrangements to be made, concerning the creation of the new bank, and the administrative organization of the new Reich Railway Company; as regards these administrations—we have to struggle to ensure the preponderance of German influence, and to endeavor to prevent the application of the provisions contained in Annex IV of the Experts' Report, which gives the Commissioner the right to sell portions of the railway

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*Con—continued***Karl Helfferich—continued**

Régie in the occupied territory by allowing the whole of her railway system to be delivered over unconditionally to an international Régie.

As to the future management of the German currency and credit system, the Experts propose to sacrifice the Reichsbank, the Rentenbank and Dr. Schacht's Gold-Discount Bank in favour of a new Bank of Issue. Whether in doing so the Reichsbank would be liquidated in due form, or maintained as to its name and "reorganized" into an international bank of issue, makes no difference.

With the sacrifice of these institutions German finance is to be placed under international guardianship. The German president and the German managers of the new Bank of Issue are to be subject to the control of a General Board of seven German and seven foreign members, and to a Commissioner, who has to be elected by a majority vote of not less than nine members of the General Board, of which at least six votes must be those of foreign members. The Commissioner is not only to supervise all the details of management of the Bank of Issue, but will have also a certain control over the issue of notes, through which he will be the last appeal as regards German monetary and credit policy.

The power thus given into the hands of Germany's Reparation creditors is still further increased by the authority proposed for the Transfer Committee as regards remittance abroad of Germany's future payments for Reparation purposes.

It is clear that even in case of the most favourable development in all the relevant conditions, only a modest part of the payments imposed on Germany can go abroad in the shape of merchandise or Bills of Exchange. Therefore, the consequence of Germany's payments coming in somewhat regularly would be, within a few years, an accumulation at the Bank of Issue of milliards\* of gold marks, which could be employed at the full discretion of the Committee nominated by the Reparation Commission. The Committee would thereby gain a power unprecedented in economic history, not only over the Bank, which would be obliged to become more and more indebted to the Reparation Commission, but also over the German currency and the whole of the German economy. The Committee would become a trust of gigantic proportions. At any moment it would be able, by calling in the sums due to it, to ruin utterly the German currency and the German enterprises dependent on it. The indebtedness of the German economy to foreign countries would go on increasing automatically and in geometrical progression. Thus the system proposed by the Experts, which claims to safeguard the German monetary standard, is, in fact, organizing the delivery of Germany's economy into the hands of her Reparation creditors.

The Report of the Experts demands from the German nation the surrender of its Sovereignty, while, at the same time, it declines to speak of the military occupation, because it declares this to be a political question which

\*The limit of such accumulation is fixed by the Experts at 5 milliards of gold marks (£250,000,000). When that limit is reached, provision is made for partial suspense of Germany's Treaty obligations. The Experts also recommend that "the (Transfer) Committee shall have power to suspend accumulation before reaching 5 milliard gold marks, if two-thirds of its members are of opinion that such accumulation is a menace to the fiscal or economic situation in Germany or to the interests of the creditor countries."—Ed. Statist.

*Continued on next page*

*Pro—continued*Gustav Stresemann—*continued*

system of the Reich or the whole of it, if it does not produce the requisite receipts each year. This case cannot arise within the first few years. It may constitute a danger in what the report calls the normal year and in the years following.

All those who bear a share in the responsibility are bound to ask themselves whether they can, in view of this consideration, throw up the cards once more, including all the advantages which the Report undoubtedly represents in the present situation; they must, in the second place, ask themselves what would be our position in world politics, which will be altogether against us if we decide to reject the Experts' Report. I make no secret of the fact that I consider the Experts' Report a step in advance of the present situation.

When we learn that in other countries the desire is expressed to arrive at a modus vivendi with Germany, must the Chancellor of the Reich aim at anything but a loyal understanding with those with whom we have been at war up to the present? Any other policy would be mad; any other policy would simply mean plunging the nation into illusions which would perhaps lead it to utter destruction.

We are faced with brutal facts: we are disarmed and we should not make a show of force which we do not possess. And these empty appearances severely complicate for us questions like the cessation of military control, for it is on such appearances that those who make it impossible for us to solve these problems rely.—*Extracts*, see 4, p. 71.

Anthony Arnoux  
*Article in "Barron's"*

THE working classes, except that portion which is infected with the communistic madness, have reacted most favorably of all to the plan. From their point of view it ensures them employment in production more generally and on a better basis as regards wages than heretofore. It is very possible, however, that as regards an increase in their already relatively very high wages they are more optimistic than prospects justify. It is very evident that for Germany to recover any very appreciable share of her former export trade, her production costs must be considerably lower than they have been lately and the present high rate of wages can hardly continue in force. Therefore, trouble on this score must be looked for, not very long after the plan comes into full effect. Another labor difficulty which looms more or less perplexingly on Germany's horizon is that many of the unemployed who are receiving "out of work" allowances, will be very loath to work again. A class of professional paupers like those with whom England is burdened, though perhaps not so numerous, has made its appearance and in many localities is petted by the local authorities, when the latter are of the radical type.

As a matter of fact, it may well be doubted whether the mass of the labor class have in reality any clear idea or comprehension of the Dawes plan. They think it will enure to their advantage and that is all they care about.

The railway employees who are transferred by the plan from the employ of the state to that of a private or semi-private corporation are much exercised in mind over the question as to whether or not this change will result in their losing their former status of "Beamten," that is, govern-

*Continued on page 68*

*Con—continued*Karl Helfferich—*continued*

does not fall within its scope. As if the inauguration of foreign guardianship over a nation of 60 million souls were a financial and not primarily a political matter!

Worse than the reserve of the Experts in the question of Occupation is their want of reserve in the question of sanctions. They allow that the existing measures, meaning the "sanctions," applied by the French and Belgians—contrary to law and Treaties—may be "re-imposed . . . in the case of flagrant failure to fulfill the conditions accepted by common agreement"; and, also, that "in case of such failure, it is plainly for the creditor Governments . . . then to determine the nature of sanctions to be applied and the method of their rapid and effective application."

To accept proposals thus recommended would mean no more and no less than an acknowledgment, on the part of Germany, of the legality of the policy of sanctions, which she has hitherto opposed as contrary to international law and to the existing Treaties.

Thus, the Report of the Experts' demands of Germany immense and unbearable material sacrifices. It demands the surrender of her essential rights as a Sovereign State, and the submission of the German economy to the control of her Reparation creditors. The illegality of the occupation of the Ruhr is not acknowledged, nor are the terms provided in the Treaty of Versailles for the evacuation of the Rhineland secured. The Damocles sword of further sanctions continues to hang over us; moreover, even a legal justification is found for this policy of force. The problematical and precarious "restoration of the economic and financial unity of the Reich" forms the sole asset of this bankruptcy.

The commencement of the Stresemann Administration was marked by the British note of August 11, denouncing as illegal the action of France as regards the Ruhr territory, and demanding the redress of the lawless conditions created by the Ruhr invasion. Today, after, eight months of a policy of unconditional readiness to negotiate, Germany is standing again, as in the days of Versailles, before the united front of the Allies and the United States. This is what makes the situation into which Germany has been forced by the proposals of the Experts so very serious. The responsibility for declining these proposals is just as great as would have been the responsibility for declining the Treaty of Versailles. But, on the other hand, the responsibility for accepting the proposals of the Experts is just as great as was the responsibility for accepting the Treaty.—*Extracts*, see 5, p. 71.

*International Transport Workers  
Resolution Opposed to the Dawes Plan Adopted at Congress  
Held at Hamburg, August 10, 1924*

IN VIEW of the fact that we are committed to socialization of means of communication we emphatically protest against the fateful proposal to denationalize the well organized state railways of Germany and to place them under control of allied capitalists. We protest against the proposed burdening which will ruin German industry and proceeds from a wrong premise that Germany is solely responsible for the war. The payments stipulated in the Dawes plan make it possible for German capitalists, who are in close cooperation with interallied capitalists to abolish the eight hour day first in Germany and to extend this demand to allied and neutral lands.

*Pro—continued from page 63*Edouard Herriot—*continued*

\* \* \* The problem of reparations is above all a problem of transference. This problem is dealt with in Chapter 13 of the Dawes Report \* \* \*. The advantages are not such as to strike the imagination; but they are substantial advantages. They will be evident to all who believe with the Experts that it is necessary to avoid as much as possible defaults and sanctions, and to regulate the problem of reparations in peace and by right.

The evacuation of the Ruhr was the problem that dominated all the negotiations. It very soon became evident to us that the agreement necessary for the application of the Dawes plan would be impossible of attainment without a satisfactory solution of the problem of the Ruhr \* \* \*. I refused to allow this question to be put on the agenda of the conference. But I could not eliminate the problem inasmuch as I had the strongest reasons for thinking that, if France decided to remain in the Ruhr indefinitely, she would remain alone, absolutely alone \* \* \*. Upon being informed of this situation, the cabinet decided to limit the military occupation of the Ruhr to a year. If the present government is resolved to keep the promise given in the name of France it must remain free to act in all independence and dignity. I wished our decision to be made in Paris and not elsewhere. If we are disposed to consider measures of goodwill, we can only undertake them with spontaneity. I acted in accordance with this declaration. To have gone further would have been to risk anew the rupture of the conference. It was necessary to choose between the re-establishment of the interallied entente and the maintenance of isolated action. I made my choice. Parliament will have to choose in turn.—*Extracts, see 24, p. 71.*

*H. N. Brailsford—continued from page 62*

petitors in the world market, and enabled them to fleece the wage-earners. Wages, worth something if you spent them all on pay-day, were valueless by the end of the week. Inflation meant, moreover, that no direct taxes could be collected save at the pay-desk; the main burden of taxation fell on the workers. To stabilize the currency is then an unmixed gain.

In the second place, the Report enforces a moratorium for reparations payments, complete (save for such deliveries in kind as the loan will pay for) in the first year, nearly complete for a second year and thereafter partial until the fifth year. In other words, the full burden of reparations is lifted from Germany's shoulders for four years—surely not the most oppressive of schemes!

We are told that the whole burden will fall on the German workers. I wonder whether the authors of this tale know that half of the annual burden in each normal year will fall directly upon industry? A first mortgage is taken on the capital of the railways and of industries generally.

Chiefly, The Dawes Report laid it down in black and white that the military interference with Germany's economic sovereignty in the whole occupied area must cease. It broke down the Customs barrier, which had stretched along the Rhine, dividing the country into two mutually foreign parts. It removed the restrictions on travel, which kept friend from friend across the line of occupation. It ensured the restoration of the railway system of Rhineland and Ruhr, which the French had seized and run with intolerable friction and inefficiency. As its first consequence, tens of thousands of railwaymen, banished for a year and a half

*Continued on next page**Con—continued from page 63*Raymond Poincare—*continued*

an international court be substituted for it, England would not fail to raise the question of interpretation in case of a German default. \* \* \* General Dawes and Mr. Mc-Kenna have publicly recognized the fact that without our occupation of the Ruhr, Germany and the German industrialists would have continued to repudiate their obligations, and they have said that it is for France to fix the date of the evacuation. We declared a few months ago in conjunction with Belgium that we would evacuate the Ruhr according as Germany made payments either in money or in kind. \* \* \* We must remain there until regular payments are made.

All the allied governments have expressed their adherence to the Report of the Experts. They have nothing to add and nothing to retract. They have only to see to it that its decisions are put into operation by Germany. \* \* \*

Let us not allow her to pretend to ignore the sad story that is hers and which in about three weeks will be ten years old.—*Extracts, see 25, p. 71.*

*Edo Fimmen—continued from page 62*

it concerns not only the German railwaymen, and after them the German working class in general; but it is also a serious threat for the workers in other countries. The existence and maintenance of so unfavourable a wage level in a country of the importance of Germany cannot but have an unfavorable influence on the wage level in other countries. But a still more serious result will be its weakening of the fighting spirit of the German working class in their struggle to reconquer and preserve the eight-hour day. The prevailing distress has forced many groups of workers to give up the eight-hour day, and this makes it very much more difficult to maintain it in other countries.

From whatever point of view one considers the Experts' Report, and whatever the political consequences of its adoption and carrying into practice may be, there is no doubt that economically speaking it will lead to the strengthening of the international foundations of the capitalist system, to the injury of the German and international working classes. It shows lack of judgment and even blindness to greet the Experts' Report and its reparations proposals with joy and satisfaction. On the contrary the working class should do all it can to prevent the carrying into effect of a report which means a further step to slavery. If it cannot be prevented it means the opening up of a new era for international capitalism—the colonization of Europe and the international exploitation of the workers of all lands, who will provide the coolie labour for this colony.

It is my firm conviction that it is our duty to declare unequivocally and unreservedly against the acceptance of the Experts' Report, and against the solution of the reparations question on the basis of that report. We should take up this attitude firstly in the spirit of international solidarity towards the German workers, who, as I think I have demonstrated sufficiently clearly, will otherwise be delivered, bound hand and foot to the exploitation of international capitalism; and secondly in our own interest—for our own sakes and for that of the workers in all lands, upon whose heads will inevitably recoil the enslavement of the German proletariat.

I will go further, and say that we would do well to declare openly that the representatives of the workers are definitely opposed to all payment of the so-called reparations, and

*Continued on next page*

*Pro—contd.—H. N. Brailsford—contd.*

from their homes, flocked back to house and work, and with them many hundreds of victimized officials. And lastly, as the direct consequence of the Dawes Report and the London Settlement, the area of the Ruhr occupation has already been diminished, and the occupation itself will end within a year. Nor is this all, for France has bound herself to arbitrate before she talks of "sanctions."

There is enough here to show that the case against the Dawes Report rests, as it is sometimes stated in our party, on culpable ignorance.

To talk of rejecting the Dawes Report (if it were not in any case too late) would be rabid lunacy. The alternative would be the renewal of our perilous feud with France, the return of Poincaré to the helm, the alienation for ever of Ruhr and Rhineland, the ruthless collection of reparations by the sword, despair and slavery for millions of German workers, and on the day after tomorrow another "inevitable" war.—*Extracts, see 20, p. 71.*

*Pro—Anthony Arnaux—continued from page 66*  
ment officials. In Germany as in nearly all other European countries an official position of any kind, no matter how small or how insignificant, carries with it a prestige which attaches to no other employment.—*Extracts, see 17, p. 71.*

## Europe's Effort to Solve Reparation Problem

Aug. 2.—The Conference agrees on program for the application of the Dawes Plan. An invitation is issued to the German Government to attend the Conference.

Aug. 6.—The German delegation headed by Herr Marx, Chancellor of the Reich, submits its "Observations" on the reports of the First, Second, and Third Committees.

Aug. 16.—The London Conference ends. The delegates of the Allied Powers and the German Government issue a protocol covering the application of the plans set forth in the report of the First Committee of Experts (The Dawes Committee). (See page 48 for digest of Protocol and Annexes.)

Aug. 19.—The French Cabinet unanimously approves the work of the French delegation, headed by M. Herriot, Premier, at the London Conference.

Aug. 19.—The German State Premiers, including the Bavarian Premier, approve the position taken by the German delegates at the Lon-

*Con—contd.—Edo Fimmen—contd.*

that they regard the Peace Treaty of Versailles as a lie and a mockery. The stipulation that Germany should pay reparations only means in practice that the German working class, and with it the working classes of all lands, must be bled white and pushed down into misery. We should be making a great step forward if the international trade union movement would not only decline all responsibility for the Treaty of Versailles, but actually refuse to have anything to do with it and refuse also to be any longer a tool—a kind of conciliatory instrument for the "pacific" enforcement of the payment of reparations.—*Extracts, see 21 p. 71.*

The Glossary—*continued from page 50*

*Receivership* (in case of a nation) an individual or group of individuals appointed by the creditors of a state to safeguard their interests by supervising the income and expenditures of the Government with a view to securing a repayment of the debt.

*Consortorium*: An association of banks for the purpose of testing securities.

Europe's Effort to Solve Reparation Problem—*continued from page 40*

don Conference, as representing the best terms that could be obtained.

Aug. 21.—M. Herriot presents the ministerial statement on the London Conference in the French Parliament.

Aug. 21.—The Reichsrat approves the draft laws providing for the application of the Dawes plan, with the necessary two-thirds majority.

Aug. 24.—After a debate on the London Agreement begun on the 22nd the French Chamber of Deputies passed a vote of confidence in the Herriot Government by 336 to 204.

Aug. 26.—M. Poincaré speaks at length in the French Senate, criticizing the London Agreement. The Senate approves the Government's action by 200 votes to 40.

Aug. 29.—The Reichstag passes the bills necessary for the carrying out of the Dawes plan. The Railroad bill requiring 2-3 majority vote, was passed by a vote of 314 to 127.

*Continued on page 70*

## Obligations of Foreign Governments Held by the United States

Statement showing obligations of foreign governments held by the U. S. Treasury, interest accrued and remaining unpaid thereon as of last interest period prior to or ending with Nov. 15, 1924, and principal and interest payments heretofore made:

COUNTRIES	Principal	Interest <sup>1</sup>	Total Indebtedness	Pymts. on Acct. of Principal	Pymts. on Acct. of Interest
Armenia.....	\$ 11,959,917.49	\$ 2,901,274.82	\$ 14,861,192.31		
Austria.....	24,055,708.92	5,773,370.16	29,829,079.08		
Belgium.....	377,029,570.06	94,794,143.33	471,823,713.39	\$ 2,057,630.37	\$ 17,363,042.96
Cuba.....				10,000,000.00	2,286,751.58
Czechoslovakia.....	91,879,671.03	23,648,768.93	115,528,439.96		304,178.09
Estonia.....	13,999,145.60	3,489,540.23	17,488,685.83		
Finland.....	( <sup>2</sup> ) 8,955,000.00		8,955,000.00	45,000.00	713,640.27
France.....	3,340,516,362.12	796,711,537.08	4,137,227,899.20	64,306,127.52	211,202,774.19
Great Britain.....	( <sup>2</sup> ) 4,577,000,000.00		4,577,000,000.00	225,181,641.56	564,551,657.11
Greece.....	15,000,000.00	2,250,000.00	17,250,000.00	1,953,542.50	1,159,153.34
Hungary.....	( <sup>2</sup> ) 1,953,542.50		1,953,542.50		15,295.54
Italy.....	1,647,869,197.96	449,477,924.86	2,097,347,122.82	164,852.94	57,598,852.62
Latvia.....	5,132,287.14	1,156,805.58	6,289,092.72		126,266.19
Liberia.....	26,000.00	6,118.85	32,118.85		861.10
Lithuania.....	( <sup>2</sup> ) 4,981,628.03	1,048,371.97	6,030,000.00		1,546.97
Nicaragua.....	140,590.28		140,590.28	35,000.00	5,168.09
Poland.....	( <sup>2</sup> ) 159,666,972.39	18,893,027.61	178,560,000.00		2,048,224.25
Roumania.....	36,128,494.94	9,476,953.85	45,605,448.79	1,794,180.48	263,313.74
Russia.....	192,601,297.37	58,782,192.70	251,383,490.07		7,907,139.81
Yugoslavia.....	51,037,886.39	13,101,164.43	64,139,050.82	720,600.16	636,059.14
Total.....	\$10,559,933,272.22	\$1,481,511,194.40	\$12,041,444,466.62	\$304,305,033.03	\$866,183,924.99

(<sup>1</sup>) Refunding bonds received under terms of agreements concluded under acts of Congress approved February 9, 1922, February 28, 1923, March 12, 1924, and May 23, 1924.

(<sup>2</sup>) Agreements providing for the funding of these obligations, as to both principal and interest, executed, subject to the approval of Congress, on September 22, 1924, and November 14, 1924. Bonds of Lithuania amounting to \$6,030,000, and of Poland amounting to \$178,560,000 will be delivered to the Treasury in exchange for the obligations now held if the agreements are approved.

(\*) Interest accrued and unpaid as of last interest period prior to or ending with Nov. 15, 1924.

November, 1924

## THE CONGRESSIONAL DIGEST

69

**Bank of Issue—continued from page 49****ADVISORY COUNCIL:***Functions:* Aid and advise Managing Board.*Composition:* German business men, manufacturers and agriculturists, apptd. by Managing Board.*Appointments:* (Complete list of appointments not yet received.)**GENERAL BOARD:***Functions:* Examine all questions submitted by President or by Bank Commissioner. May decide transfer of reserves and of office of issue outside Germany.*Composition:* 14 members: 7 Germans elected by shareholders, 7 other nationalities (one each: English, French, Italian, Belgian, American, Dutch and Swiss) apptd. by Organization Committee, excluding Government officials.*Appointments:* Oct. 9: Oscar Wassermann, Franz von Mendelssohn, Franz Urbig, Hofrath Rembhard, Louis Hagen, Max Warburg and Dr. Hjalmar Schacht, all Germans; Sir Charles Addis, British; C. L. Sargent, French; Carlo Feltrinelli, Italian; E. Francqui, Belgian; Dr. G. Bachmann, Swiss; Gates W. McGarrah, American, and G. W. J. Bruins, Dutch.**BANK COMMISSIONER:***Functions:* Empowered to enforce provisions of law and statutory regulation relative to note issue and reserves.*Composition:* A Foreigner, apptd. by majority of 9 votes (of which 6 foreign) of General Board.**Railways (German Corporation)****TEMPORARY ORGANIZATION COMMITTEE:***Functions:* Draft statutes and determine duration of mandate of administrators.*Composition:* Two Germans, two foreigners, one neutral.*Appointments:* Apr. 28: Carl Bergmann (German); Vogt (German); Apr. 30: Sir William Acworth (British); Gaston Leverve (French).**BOARD OF DIRECTORS:***Functions:* Ordinary powers of Board.*Composition:* 18 Members: One-half apptd. by German Government; one-half by Trustee, who may appt. 5 Germans and 4 foreigners.*Appointments:* Sept. 27: German members: Karl von Siemens (President); Prof. Blum; Eduard Arnhold; von Botoski; Buck; David Fischer; Vitus von Hertel; Peter Klockner; Franz Ott; Carl Bergmann; Oskar von Müller; Munchmeyer; Stiebel (1st Vice Pres.); Saare. Sir William Acworth (British) (2nd Vice President); Giuseppe Bianchini (Italian); Jules Jadot (Belgian) and Maurice Margot (French).**CHAIRMAN OF BOARD OF DIRECTORS:***Functions:* Usual functions.*Composition:* German or foreigner, apptd. by three-quarters majority of Board.*Appointment:* Sept. 27: Karl von Siemens (German).**GENERAL MANAGER:***Functions:* Usual functions.*Composition:* German, not member of Board, apptd. by three-quarters majority of Board.*Appointment:* Sept. 27: Oeser (German).**COMMISSIONER:***Functions:* General authority to inspect and investigate personally or through authoritative representatives; access to all files, accounts and documents.*Composition:* Foreigner, not member of Board; apptd. by foreign members of Board.*Appointment:* Sept. 27: Gaston Leverve (French).**TRUSTEE:***Functions:* Receiver and administrator of 11 milliards of bonds.*Composition:* Appointed by Reparation Commission.*Appointment:* Aug. 29: Leon Delacroix (Belgian).**Industrial Obligations****ORGANIZATION COMMITTEE:***Functions:* Draft all regulations and make all decisions concerning form, character and object of industrial mortgages.*Composition:* 1 delegate of German Government apptd. by German Government; 1 delegate of German industry apptd. by German Government; 2 delegates of Reparation Commission, apptd. by Reparation Commission; 1 neutral member, named by 4 members or by Reparation Commission.*Appointments:* Apr. 29: (Germans) Ernst Tredelenburg; Herman Bucher (Industrialist); Apr. 30: Alfred Descamps (French); Dr. Alberto Pirelli (Italian); May 13: Giuseppe Bianchini (Italian) replacing Pirelli; July 8 Edgar Allix (French) replacing Descamps; June 23: Marcus Wallenberg (Swedish) elected Chairman.**TRUSTEE:***Functions:* Receiver and administrator of 5 milliards of industrial bonds.*Composition:* Appointed by Reparation Commission.*Appointment:* Aug. 29: Bernardino Nogara (Italian).*Industrial Representatives appointed by the Reich to sign the collective certificate of debentures for 5 milliard gold marks.**Functions:* Sign collective certificate of debentures for 5 milliard gold marks.*Composition:* Germans apptd. by the Reich.*Appointments:* Sept. 27: Dr. Kurt Sorge; Abraham Frowein; Carl Friedrich von Siemens; Dr. Ing. Erwald Hilger; Dr. Walter Clairmont; Comte Siegfried von Roedern and Dr. Friedrich Wussow, all Germans. Substitutes: Dr. Felix Deutsch; Dr. Karl Bosch; Dr. Franz Ott and Max Braeger, all Germans.**Industrial Bonds****BANK OF INDUSTRIAL BONDS (Bank für Deutsche Industrie-Obligationen)***Composition:* Board of Directors (A Chairman and 14 Members—Chairman to be German) (4 of these to be appointed by the non-German members of General Board of Reichsbank, 3 by Reparation Commission, and 7 by German Government—3 to represent that Government and 4 to represent the encumbered concerns and the shareholders).*Appointments:* Sept. 16: (Reparation Com.) Henri de Peytier (French); Charles Freiherr (Belgian) W. Dudley Ward (British). Sept. 29: (Germans) Ernst Tredelenburg; Hermann Bucher; Dr. Herbert Dorn; Dr. Julius Flechtheim; Clemens Lammer; Dr. Paul von Schwabach; Ernst Ball; and Gates W. McGarrah (American).**Transfers and Payments in Kind****AGENT GENERAL FOR REPARATION PAYMENTS:***Functions:* Chairman of Transfer Committee. Receiver of all German payments. Would conduct all withdrawals of funds on instructions from Committee.*Composition:* Foreigner, apptd. by Reparation Commission.*Appointments:* Aug. 29: (American) Owen D. Young; Sept. 3 (American) Seymour Parker Gilbert, Jr. Assistants apptd. Aug. 29: (Americans) Rufus C. Dawes; Henry M. Robinson; Thomas L. Robinson; Leon Fraser; G. P. Auld; Oct. 2: (American) R. B. Wigglesworth and Aug. 29: R. Denis (Belgian) General Secretary.**TRANSFER COMMITTEE:***Functions:* Use and withdrawal of all credit balances and prevention of concerted financial attempts to block transfer.*Composition:* Six members including Chairman (American, English, French, Italian, Belgian) apptd. by Reparation Commission with consent of Bank of Issue of all interested countries.*Appointments:* Oct. 10: Joseph E. Sterrett (American); Jean Partement (French); Henry Bell (British); Sir Charles Addie (British); Pasquale Jannaccone (Italian) and Albert Edouard Jansen (Belgian).**COMMITTEE OF PAYMENTS IN KIND:***Functions:* Regulate the presentations of orders. Survey deliveries. Prevent attempts to re-export. Prepare way for arbitration.*Composition:* Six members: three Germans apptd. respectively by German Government and the Reparation Commission; three Allied apptd. by the other six, or by Reparation Commission. Eventually a seventh member.*Appointments:* Kurtz; Litter; Buchler; Schaeffer (Germans) and Thomas H. Urwick (British); C. M. Bemelmans (Belgium); M. Aron (French); Comendatore Lavosia (Italian); and Marcus Wallenberg (Swedish) neutral member.**Liaisons—Miscellaneous****REPARATION COMMISSION:***Functions:* Adjust difficulties between Agent General and any Commissioner.*Membership:* See page 44.**ADVISORY COMMITTEE:***Functions:* Investigate and give opinion about difficulties arising between Reparation Commission and any Government concerning the operation of the Dawes Plan in respect of German deposits and control of guarantees.*Composition:* Agent General—Trustees—Bank, Railways, and Revenue Commissioners.**GENERAL CO-ORDINATING BOARD:***Functions:* Facilitate work of Agent General; insure exchange of information between all agencies created for operation of Plan.*Composition:* Agent General—Trustees Commissioners.*Appointments:* Agent General for Reparation Payments; Commissioners for Bank of Issue; Commissioner for Railways; Commissioners for Controlled Revenues; Trustees for Railway Bonds and Trustee for Industrial Bonds.**COMMISSIONER OF CONTROLLED REVENUES:***Functions:* Supervise the assigned revenues and other data relative to guarantee of German annual payments.*Composition:* Foreigner. Sub-commissioners, if necessary, apptd. by Reparation Commission.*Appointments:* Aug. 29: Andrew McFadyean (British) Commissioner. The Commissioner of Controlled Revenues has recommended that no appointments of the following sub-commissioners be made for some time and until the need therefor arises: Sub-Commissioner for Alcohol; Sub Commissioner for Tobacco; Sub Commissioner for Beer; Sub Commissioner for Sugar; Sub Commissioner for Customs and Consultative and Advisory Committee (each of the interested Allied countries to be represented thereon).

### Europe's Effort to Solve Reparation Problem *Continued from page 68*

*Aug. 30.*—The London Agreement having been accepted by the Governments concerned, was formally signed.

*Aug. 29.*—The Reparation Commission makes several appointments to special posts created under the Dawes plan, including that of Mr. Owen D. Young (American) as Agent General for Reparation Payments *ad interim*. (See page 49 for further appointments.)

*Aug. 31.*—The first steps are taken by the French authorities toward the economic evacuation of the Dortmund zone of occupied German territory.

*Sept. 1.*—Upon the payment of 20,000,000 gold marks as the first installment by Germany, the Reparation Committee declares the Dawes plan to be officially in effect.

*Sept. 3.*—The Reparation Commission appoints Mr. Seymour Parker Gilbert (American) Agent General for Reparation Payments.

*Oct. 14.*—German loan was floated. The loan was planned to yield approximately 800,000,000 gold marks (about \$190,000,000) to the German Treasury, and was apportioned to the public markets of nine countries: (the United States, Great Britain, France, Belgium, Italy, Sweden, Switzerland and Germany). The portion for each country is in the language and monetary terms of that country. The portion assigned to the United States was \$110,000,000; the portion to Great Britain, £12,000,000 (approximately \$54,000,000 at the present rate of exchange), and the remainder went to the other seven countries. The loan is for 25 years, the coupon rate 7 per cent, and the bonds went to investors at 92, the yield to maturity being about 7.70 per cent per annum. The loan will run to maturity, except for the retirements made under the operation of the sinking fund. The German government pays off the loan monthly, beginning November 1, 1924, at the rate of \$4,620,000 per year, which is one twenty-fifth of the issue, at the rate of 105, by purchases through the sinking fund. The purchases will be made by lot at 105 and accrued interest, unless the bonds can be bought in the open market at a lower price.

*Oct. 1924.*—Report of the office of the Agent General for Reparation Payments for month of September, 1924, submitted to the Reparation Commission (signed by Owen D. Young, Agent General, *ad interim*.)

*Nov. 1924.*—Report issued by Seymour Parker Gilbert, Agent General for Reparation Payments for September and October, 1924. (See page 49 for account of report.)

### Digest of London Agreements—*conid. from page 48*

2. Restoration to owners of all industrial and other undertakings exploited by Allies since January 11, 1923.
3. Withdrawal of organizations established for exploitation of pledges.
4. Removal subject to Rhineland Agreement of restrictions on the movement of persons, goods, and vehicles.
5. Readjustment in interests of German fiscal and economic unity of ordinances passed by Rhineland High Commission since January 11, 1923.

Articles 2, 3 and 4 give dates for the period of transition. The dates, in view of their extension by 17 days, will be as follows:—

*Sept. 1.*—German laws promulgated. Agent General takes up his duties.

*Oct. 6* (not later than).—Completion of measures laid down in Article 1.

*Oct. 22.*—Programme for the restoration of German fiscal and economic unity to be complete.

*Sept. 9.*—Payment of duties on Eastern customs line to cease.

*Sept. 12.*—Restriction of movement between occupied and unoccupied Germany to have been removed so far as possible. Eastern customs line to be actually abolished by that date.

The French and Belgian Governments undertake after September 5 to apply in the occupied area only the legislation and tariffs in force in unoccupied Germany to collections and charges in occupied territory as well as to the *regime* for external trade, except in regard to the Franco-Belgian railway *regie*. Money thus collected, including net profits of Railway *regie*, will be handed over to Agent-General for reparation payments, less the monthly deduction of two million gold marks to cover cost of collection.

The German Government will make up these monthly payments to one-twelfth of the first annuity under the Dawes plan less such sums of money as the Allies may

Digest of London Agreements—*continued*  
collect by means of such measures as the British Reparation Recovery Act.

Article 5 gives further dates as follows:

*October 7.*—Railway system of Reich taken over by the Dawes plan railway company.

*October 22.*—Franco-Belgian Railway *regie* lines to be worked on account of the aforesaid company under control of a Railway Organization Committee.

*December 7.*—Actual transfer of lines of *regie* to railway company to be complete.

Article 7 deals with the amnesty and immunity of political acts from January 11, 1923, to the coming into force of the present agreement.

Annex IV. is an agreement between the Allied Governments. It provides for the case of default by Germany. An American citizen is to sit on the Reparation Commission when the Commission considers anything arising out of the Dawes plan. Sanctions will not be applied unless flagrant default has been established. In case of sanctions the Allies undertake to safeguard specific securities for the service of the loan. The service of the loan is to have absolute priority as regards any German payments affected by it.

Finally, any disputes arising out of the question of sanctions (which can not be settled by negotiation) can be submitted to the World Court.—See 23, p. 71.

### Summary of Part I—*continued from page 46*

3. These bonds bear 5 per cent interest and 1 per cent sinking fund, i. e., 300,000,000 gold marks per annum.

4. Pending economic restoration, interest and sinking fund are accepted as follows:

	Gold Marks
First year.....	Nothing
Second year.....	125,000,000
Third year.....	250,000,000
Thereafter.....	300,000,000

### X.—Summary of Provision for Treaty Payments

#### (a) 1. Budget Moratorium Period.

First year: From foreign loans and part interest on railway bonds:

	Gold Marks
Total.....	1,000,000,000

Second year: From part interest on railway bonds and on industrial debentures, budget contribution, through sale of 500,000,000 gold mark railway shares:

	Gold Marks
Total.....	1,220,000,000

#### 2. Transition Period.

Third year: From interest on railway bonds and on industrial debentures, from transport tax, and from budget:

	Gold Marks
Total.....	1,200,000,000

subject to contingent addition or reduction of 250,000,000 gold marks.

Fourth year: From interest on railway bonds and on industrial debentures, from transport tax, and from budget:

	Gold Marks
Total.....	1,750,000,000

subject to contingent addition or reduction of 250,000,000 gold marks.

*Continued on next page*

## Summary of Part I—Continued from page 70

### *3. Standard year.*

Fifth year: From interest on railway bonds and on industrial debentures, from transport tax, and from budget:

Total.....	Gold Marks
	2,500,000,000

Thereafter, 2,500,000,000 plus a supplement computed on the index of prosperity. Interest on the securities, but not the proceeds of their sale, is included in these figures.

(b) The first year will begin to run from the date when the plan shall have been accepted and put into effective execution.

### *XI.—Inclusive Amounts and Deliveries in Kind*

(a) The above sums cover all amounts for which Germany may be liable to the Allied and Associated Powers.

(b) Deliveries in kind are to be continued, but are paid for out of balances in the bank.

### *XII.—How the Annual Payments are Made by Germany*

(a) The amounts will be raised in gold marks and paid into the bank.

(b) These payments cover Germany's annual obligation.

### *XIII.—How the Payments are Received by the Creditors*

(a) Germany's creditors will use these moneys in Germany or convert them into foreign currencies.

(b) Experience will show the rate and extent to which the conversion can safely take place.

(c) Danger to stability through excessive remittances is obviated by a transfer committee.

(d) Sums not remitted accumulate, but with a limitation of amount.

### *XIV.—Guarantees, in Addition to Railway and Industrial Bonds*

(a) The following revenues are pledged as collateral security for budget contributions and other payments: Alcohol, tobacco, beer, sugar, customs.

(b) The yield of these revenues is estimated to be substantially in excess of required payments.

(c) The excess is returned to the German Government.

### *XV.—External Loan—Its Conditions and Purpose*

Foreign loan of 800,000,000 gold marks meets a double purpose.

(a) Requirements of gold reserve of the new bank.

(b) Internal payments for essential treaty purposes in 1924–25.

### *XVI.—Organization*

The organization consists of:

(a) A trustee for railway and industrial bonds;

(b) Three commissioners of (1) railways, (2) the bank, (3) controlled revenues;

(c) An agent for reparation payments, who will coordinate the activities of the above and will preside over the transfer committee.

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*Articles for which no source is given have been specially prepared for this number of THE CONGRESSIONAL DIGEST.*

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- 2—Extracts from article, entitled "The Dawes Scheme and the German Loan" in The Nation and The Atheneum (London), October 4, 1924.
- 3—Reprint of article entitled "The Questions of Specie Payments in connection with Reparations" in Barron's, August 11, 1924.
- 4—Extracts from speech by Dr. Stresemann, Reich Minister for Foreign Affairs, in the Reichstag, on June 6, 1924.
- 5—Extracts from article entitled "Report of the Experts" pts. 1 and 2, by Dr. Helfferich, in The Statist, May 3, 10, 1924. Dr. Helfferich met death in Swiss railway accident, April 24, 1924.
- 6—Cablegram from Owen D. Young released by Chamber of Commerce of United States, under date of October 23, 1924.
- 7—Extracts from statement by Owen D. Young, Retiring Agent General for Reparation Payments, in Barron's, October 17, 1924.
- 8—Extracts from article entitled "Helping Germany Help Herself" in "Current Affairs in New England" (official organ of the Boston Chamber of Commerce), October 20, 1924.
- 9—Extracts from article entitled "Germany Industry and the Dawes Plan" in "Commerce Reports," No. 43, August 18, 1924 (U. S. Bureau of Foreign and Domestic Commerce).
- 10—Reprint from The Chase Economic Bulletin, Vol. IV, No. 1, April 28, 1924.
- 11—Extracts from article entitled "The Dawes Plan Myth" signed by "Beauchamp" in The New Republic, September 24, 1924.
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- 21—Extracts from article entitled "The World Situation and The Dawes Plan" in The Labour Monthly, (London), October, 1924.
- 22—Extracts from article entitled "The London Conference on the Application on the Dawes Plan" by George A. Finch in The American Journal of International Law, October, 1924.
- 23—From The (London) Times, August 18, 1924.
- 24—Extracts from the Journal Officiel (France) August 22, 1924. Speeches by M. Herriot and M. Poincaré translated for THE CONGRESSIONAL DIGEST from "The Journal Official, Annales Parlementaires du Sénat et de la Chambre des Députés," official record of daily proceedings in the French Parliament.
- 25—Extracts from speech by M. Poincaré in the French Senate, July 10, 1924, in the Journal Officiel (France) July 11, 1924.
- 26—Extracts from Associated Press Dispatch, Nov. 17, 1924. Complete official English text of the Dawes Report is printed in the Federal Reserve Bulletin, May 24, 1924, also as *separate*; complete English text is also printed as appendix to "The Reparations Plan," by H. G. Moulton, Director of the Institute of Economics, (New York; McGraw Hill Co., 1924, 325 pp.) Text of London Agreements printed in Trade Information Bulletin No. 278, published by Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce.

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